

## **m-hance Group Limited**

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 07203843



## m-hance Group Limited

### Company Information

---

<b>Directors</b>	A J Moody S Haigh
<b>Company secretary</b>	Ocorian Administration (UK) Limited
<b>Registered number</b>	07203843
<b>Registered office</b>	Trinity House Bredbury Park Way Stockport Cheshire SK6 2SN
<b>Independent auditor</b>	BDO LLP 3 Hardman Street Manchester M3 3AT

## m-hance Group Limited

### Contents

---

	Page
<b>Group Strategic Report</b>	1 - 3
<b>Directors' Report</b>	4 - 5
<b>Directors' Responsibilities Statement</b>	6
<b>Independent Auditor's Report</b>	7 - 10
<b>Consolidated Statement of Comprehensive Income</b>	11
<b>Consolidated Statement of Financial Position</b>	12
<b>Company Statement of Financial Position</b>	13
<b>Consolidated Statement of Changes in Equity</b>	14
<b>Company Statement of Changes in Equity</b>	15
<b>Consolidated Statement of Cash Flows</b>	16
<b>Notes to the Financial Statements</b>	17 - 36

# m-hance Group Limited

## Group Strategic Report For the Year Ended 31 December 2020

The Directors present their Strategic Report and the audited financial statements for the year ended 31 December 2020. The report covers the activities of m-hance Group Limited (the "Company") and the results of the Company and its subsidiaries (together referred to as the "Group").

### Principal activities and review of the business

The Directors use a number of measures, both financial and non-financial, to monitor the performance of the Company, and consider Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) to be the principal financial performance indicator of trading performance of the business.

The Group's key financial and other performance indicators during the year were as follows:

	2020	2019
	£	£
Revenue	11,973,203	12,452,059
Gross profit	9,064,662	9,536,195
Adjusted EBITDA*	1,132,573	1,057,345
Average number of employees	117	117

\*Adjusted EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation, and is stated before any impairment charges, shareholder recharge, and exceptional items. Adjusted EBITDA is reconciled to operating profit as follows.

	2020	2019
	£	£
Operating profit/(loss)	15,861	(269,860)
Depreciation of tangible fixed assets	111,098	158,975
Amortisation of intangible assets	936,370	952,138
Shareholder recharge	-	94,009
Exceptional items	69,244	122,083
<b>Adjusted EBITDA</b>	<b>1,132,573</b>	<b>1,057,345</b>

The principal activity of the Group is the provision of Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) business software, systems and services to a wide range of organisations based primarily in the UK but also in Europe and the USA.

The Group is one of the largest accredited Microsoft Dynamics GP partners in Europe and is a multi award winning provider of Microsoft Dynamics based solutions. The Group is a Microsoft Gold partner and has gained a growing reputation as a leading partner in the Not for Profit (NfP) sector with its NfP propositions addressing charities' increasing regulatory and compliance requirements and the demand for digital SaaS solutions. In addition to being the sole European partner at Microsoft's Technology for Social Impact global launch in 2019, the Group has now been announced as a Microsoft Partner of the Year 2021 Finalist in the Non Profit sector. This prestigious award is in recognition of the NfP Enterprise solution implemented at Médecins Sans Frontières UK during 2020. The Group has also demonstrated its CRM capabilities outside of the NfP sector with the securement of a significant £0.9M CRM 2011 rebuild order.

## m-hance Group Limited

### Group Strategic Report (continued) For the Year Ended 31 December 2020

---

#### Principal activities and review of the business (continued)

The Group is fully behind Microsoft's Dynamics365 Business Central SaaS product road map and is ideally placed to act as a trusted advisor to its customer base on their journey to cloud based platforms. The Group has continued to develop its NfP365 Finance product set underpinned by Dynamics365 Business Central which has further enhanced the Group's strategic position within the NfP sector. The Group will continue to invest in the development of the NfP product set which will generate additional Service and SaaS revenues.

The focus has continued on the development of the SaaS product roadmap for the ERP market with the aim of retaining and expanding the large ERP customer base. The Group has seen an uptake in customers seeking to switch to cloud-based ERP systems which has been enhanced by the ongoing Covid-19 pandemic and the switch to a remote way of working.

The Group performed exceptionally well following the outbreak of Covid-19 and continued to operate remotely during the lockdowns which were implemented in both the UK and Ireland. Whilst some projects did encounter a slowdown during the initial lockdown period which commenced in March 2020, the Group continued to effectively deliver solutions and support to its valued customer base throughout the year.

The Group also invested in its internal systems with the implementation of an integrated end to end ERP solution during 2020 which utilises Microsoft Dynamics 365 CRM, Project Service and Business Central.

As a consequence of Covid-19 and the expected attrition of the legacy ERP base within Intellect365, Great Plains and DMS, revenue reduced by 4% in the year. In line with the revenue fall the gross margin also decreased by 1% to 75.7% however costs continued to be closely managed with administration expenses reducing by 5.2%. The Group utilised the Coronavirus Job Retention Scheme during they year with £143k claimed which represented just 2% of its annual staff costs.

The strong management of the business has resulted in an Adjusted EBITDA increase of 7% to £1,133k for 2020.

The Group's working capital and cash forecasting are managed and well controlled by the experienced finance team. Cash collections during 2020 averaged 95% of the opening debtors ledger which is a clear indicator of customer satisfaction. The Group's only third party financing facility remains the property mortgage of £699,960 which is secured on the Stockport office building. It should be noted that creditors includes £3,385,077 of deferred revenue which relates to future periods of annual support contracts which are recognised over the duration of the contract and are not a cash liability.

## m-hance Group Limited

### Group Strategic Report (continued) For the Year Ended 31 December 2020

---

#### Principal risks and uncertainties

The Group's principal business risks are summaries below, together with the key processes which are in place to monitor and manage them.

#### Market risks

Our markets are subject to fluctuations in demand by customers, which are linked to the wider economic environment. The Group monitors market developments and reflects these in its business planning processes.

#### Operational risk

Operational risk refers to the risk of financial loss from issues relating to internal process, people and systems. The Group manages this area of risk through internal controls and intervention when required, together with management reporting systems and appropriate insurance cover.

#### Liquidity and cash-flow risk

In order to mitigate the risk that it may be unable to fund its ongoing cash requirements, the Group monitors and manages its liquidity position using treasury tools such as rolling cash flow forecasts and scenario planning around its business forecasts. The Group establishes credit limits with its customers and monitors customer credit balances on a regular basis.

This report was approved by the board on 23 September 2021 and signed on its behalf.

DocuSigned by:  
  
A Moody  
Director

## m-hance Group Limited

### Directors' Report For the Year Ended 31 December 2020

---

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

#### Results and dividends

The loss for the year, after taxation, amounted to £93,489 (2019 - loss £336,578).

The Directors do not recommend the payment of a dividend (2019 - £Nil).

#### Directors

The Directors who served during the year were:

R A Asplin (resigned 6 August 2021)  
A J Moody  
S Haigh

#### Political and charitable contributions

The Group made no political or charitable contributions during the year (2019 - £Nil).

#### Matters covered in the Strategic Report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report as the Directors consider them to be of strategic importance to the Group.

#### Future developments

The Directors are confident that the business is well placed for future growth in both revenues and profits.

#### Going concern

As at 31 December 2020 the Group has net liabilities of £742,239 (2019 - £739,484) and net current liabilities of £1,968,562 (2019 - £3,041,786). As stated in the Strategic Report this includes £3,385,077 of deferred revenue which relates to future periods of annual support contracts which are recognised over the duration of the contract and are not a cash liability. The Directors have reviewed the latest trading forecasts in line with the current strong liquidity levels and are confident that the Group will generate trading cash in excess of its liabilities as they fall due for the twelve months from the date of signing this report. The directors are satisfied that the Group is able to continue to operate after considering reasonably worst case downside scenarios. On this basis, the Directors therefore have a reasonable expectation that the Group will be able to continue for the next twelve months. Thus, the going concern basis of accounting has been adopted in preparing the annual financial statements. Details of the impact of Covid-19 on the Group's going concern position are provided in the "Going concern assessment" note 2.4. The Group will therefore continue to adopt the going concern basis in preparing the financial statements.

#### 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 and the Group'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 and the Group's auditor is aware of that information.

## m-hance Group Limited


### Directors' Report (continued) For the Year Ended 31 December 2020

---

#### Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 September 2021 and signed on its behalf.

DocuSigned by:  
  
4EFABEBF14CB4B5...

**A J Moody**  
Director

## **m-hance Group Limited**

### **Directors' Responsibilities Statement For the Year Ended 31 December 2020**

---

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 Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

## **m-hance Group Limited**

### **Independent Auditor's report to the members of m-hance Group Limited**

---

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of m-hance Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and notes to the financial statements, 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).

#### **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **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 Group's and Parent 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.

## m-hance Group Limited

### Independent Auditor's report to the members of m-hance Group 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

- the information given in the 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.

In the light of the knowledge and understanding of the Group and 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, 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.

## m-hance Group Limited

### Independent Auditor's report to the members of m-hance Group Limited (continued)

---

#### **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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

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:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, the financial reporting framework and the UK Companies Act 2006. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates as well as inappropriate revenue cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Identifying and testing journal entries, with a focus on manual journals to revenue, unusual account combinations and journals indicating large or unusual transactions based on our understanding of the business;
- Testing a sample of revenue recognised either side of the period end to ensure revenue has been recognised in the correct period;
- Challenging assumptions, accounting estimates and judgements made by the Directors;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## m-hance Group Limited

### Independent Auditor's report to the members of m-hance Group Limited (continued)

---

#### Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
*Julien Rye*  
657B95FCEECB4FF...

**Julien Rye** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester  
United Kingdom

23 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## m-hance Group Limited

### Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	11,973,203	12,452,059
Cost of sales		(2,908,541)	(2,915,864)
<b>Gross profit</b>		<b>9,064,662</b>	9,536,195
Administrative expenses before exceptional items		(9,176,639)	(9,683,972)
Exceptional items	5	(69,244)	(122,083)
<b>Total administrative expenses</b>	7	<b>(9,245,883)</b>	(9,806,055)
Other operating income	6	197,082	-
<b>Operating profit/(loss)</b>		<b>15,861</b>	(269,860)
Interest receivable and similar income	10	992	-
Interest payable and similar expenses	11	(55,926)	(43,510)
<b>Loss before taxation</b>		<b>(39,073)</b>	(313,370)
Tax on loss	12	(54,416)	(23,208)
<b>Loss for the financial year</b>		<b>(93,489)</b>	(336,578)
Currency translation differences		(5,572)	23,784
<b>Other comprehensive income for the year</b>		<b>(5,572)</b>	23,784
<b>Total comprehensive income for the year</b>		<b>(99,061)</b>	(312,794)

The notes on pages 17 to 36 form part of these financial statements.

**m-hance Group Limited**  
Registered number:07203843

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

	Note	2020 £	2020 £	2019 £	2019 £
<b>Fixed assets</b>					
Intangible assets	13		1,130,150		1,629,248
Tangible assets	14		1,346,865		1,445,682
			<u>2,477,015</u>		<u>3,074,930</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	16	2,310,679		2,498,191	
Cash at bank and in hand		2,065,720		484,981	
		<u>4,376,399</u>		<u>2,983,172</u>	
Creditors: amounts falling due within one year	17	<u>(6,344,961)</u>		<u>(6,024,958)</u>	
<b>Net current liabilities</b>			<u>(1,968,562)</u>		<u>(3,041,786)</u>
<b>Total assets less current liabilities</b>			<u>508,453</u>		<u>33,144</u>
Creditors: amounts falling due after more than one year	18		(1,150,017)		(662,608)
<b>Provisions for liabilities</b>					
Other provisions	20		(100,675)		(110,020)
<b>Net liabilities</b>			<u>(742,239)</u>		<u>(739,484)</u>
<b>Capital and reserves</b>					
Called up share capital	21		121		100
Share premium account	22		13,229,018		13,132,733
Profit and loss account	22		(13,971,378)		(13,872,317)
<b>Deficit attributable to the owners of the parent company</b>			<u>(742,239)</u>		<u>(739,484)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2021.

DocuSigned by:  
  
 4EFABE8F14CB4B5...  
**A J Moody**  
 Director

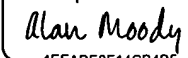
The notes on pages 17 to 36 form part of these financial statements.

**m-hance Group Limited**  
Registered number:07203843

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

	Note	2020 £	2020 £	2019 £	2019 £
<b>Fixed assets</b>					
Investments	15		3,352,884		3,352,884
<b>Current assets</b>					
Debtors: amounts falling due within one year	16	7,896,776		7,800,470	
		<u>7,896,776</u>		<u>7,800,470</u>	
Creditors: amounts falling due within one year	17	(4,842,836)		(4,842,836)	
<b>Net current assets</b>			<u>3,053,940</u>		<u>2,957,634</u>
<b>Net assets</b>			<u>6,406,824</u>		<u>6,310,518</u>
<b>Capital and reserves</b>					
Called up share capital	21		121		100
Share premium account	22		13,229,018		13,132,733
Profit and loss account brought forward	22		(6,822,315)		(6,822,315)
Profit for the year	22		-		-
Profit and loss account carried forward			<u>(6,822,315)</u>		<u>(6,822,315)</u>
<b>Total equity</b>			<u>6,406,824</u>		<u>6,310,518</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2021.

  
4EFABE8F14CB485...  
**A J Moody**  
Director

The notes on pages 17 to 36 form part of these financial statements.

## m-hance Group Limited

### Consolidated Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Share premium account	Profit and loss account	Total deficit
	£	£	£	£
At 1 January 2020	100	13,132,733	(13,872,317)	(739,484)
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(93,489)	(93,489)
Currency translation differences	-	-	(5,572)	(5,572)
<b>Total comprehensive loss for the year</b>	-	-	(99,061)	(99,061)
Shares issued	21	96,285	-	96,306
<b>At 31 December 2020</b>	<b>121</b>	<b>13,229,018</b>	<b>(13,971,378)</b>	<b>(742,239)</b>

### Consolidated Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Share premium account	Profit and loss account	Total deficit
	£	£	£	£
At 1 January 2019	100	13,132,733	(13,559,523)	(426,690)
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(336,578)	(336,578)
Currency translation differences	-	-	23,784	23,784
<b>Total comprehensive loss for the year</b>	-	-	(312,794)	(312,794)
<b>At 31 December 2019</b>	<b>100</b>	<b>13,132,733</b>	<b>(13,872,317)</b>	<b>(739,484)</b>

The notes on pages 17 to 36 form part of these financial statements.

## m-hance Group Limited

### Company Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
<b>At 1 January 2019</b>	100	13,132,733	(6,822,315)	6,310,518
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	-	-
<b>At 1 January 2020</b>	100	13,132,733	(6,822,315)	6,310,518
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	-	-
<b>Contributions by and distributions to owners</b>				
Shares issued	21	96,285	-	96,306
<b>At 31 December 2020</b>	121	13,229,018	(6,822,315)	6,406,824

The notes on pages 17 to 36 form part of these financial statements.

## m-hance Group Limited

### Consolidated Statement of Cash Flows For the Year Ended 31 December 2020

	2020 £	2019 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(93,489)	(336,578)
<b>Adjustments for:</b>		
Amortisation of intangible assets	936,370	963,062
Depreciation of tangible assets	111,098	158,975
R&D tax credit income	(54,172)	-
Interest payable	55,926	45,287
Interest receivable	(992)	(1,777)
Taxation charge	54,416	23,208
Decrease in debtors	283,818	170,932
Increase/(decrease) in creditors	467,398	(179,997)
Decrease in provisions	(9,345)	(80,655)
Corporation tax paid	-	(59)
Foreign exchange	(25,136)	17,864
<b>Net cash generated from operating activities</b>	<b>1,725,892</b>	<b>780,262</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(417,708)	(311,212)
Purchase of tangible fixed assets	(12,281)	(44,592)
Interest receivable	992	1,777
<b>Net cash from investing activities</b>	<b>(428,997)</b>	<b>(354,027)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(118,222)	(202,667)
Other new loans	564,485	-
Repayment of finance leases	-	(35,652)
Loans repaid to shareholders	(137,543)	-
Interest payable	(24,876)	(15,647)
<b>Net cash used in financing activities</b>	<b>283,844</b>	<b>(253,966)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,580,739</b>	<b>172,269</b>
Cash and cash equivalents at beginning of year	484,981	312,712
<b>Cash and cash equivalents at the end of year</b>	<b>2,065,720</b>	<b>484,981</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<b>2,065,720</b>	<b>484,981</b>

# m-hance Group Limited

## Notes to the Financial Statements For the Year Ended 31 December 2020

---

### 1. General information

m-hance Group Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office can be found on the Company Information page and the nature of the Group's operations and its principal activities are set out in the Strategic Report.

### 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 Group management to exercise judgement 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.

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 Statement of Financial Position, 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 Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

#### 2.3 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:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement or net debt reconciliation has been presented for the parent company;
- Disclosures in respect of the parent company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has 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 Group as a whole.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

---

#### 2. Accounting policies (continued)

##### 2.4 Going concern

As at 31 December 2020 the Group has net liabilities of £742,239 (2019 - £739,484) and net current liabilities of £1,968,562 (2019 - £3,041,786), this includes £3,385,077 of deferred revenue which relates to future periods of annual support contracts which are recognised over the duration of the contract and are not a cash liability. In preparing these financial statements, the Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Group will continue in business. In satisfaction of this responsibility the Directors have considered the Group's ability to meet its liabilities as they fall due for a period of at least twelve months from the signing date of the financial statements.

Due to the continued uncertain financial environment arising from the Covid-19 global pandemic, the management team have again undertaken an assessment of the likely impact of Covid-19 on the Group based on latest available information and government guidance. The assessment has looked at the likely duration of the crisis as well as the sales that could be expected to be generated during any lockdown periods being reimplemented in late 2021 and 2022. The Group currently operates successfully in a 100% remote working environment with client delivery completely based on remote connectivity and cloud-based activity. The Group has not experienced any significant disruption from employee absence or supplier networks and no impact is anticipated in the foreseeable future. From a liquidity perspective cash collections remain above pre pandemic levels and the Group has no concerns over liquidity. At the current time the Group is trading well against forecast. A stress test has been conducted and considered and takes into account potential business disruptions and reductions in revenue over the coming months. The Directors are satisfied that the Group is able to continue to operate after considering forecasted stress test scenarios in light of the ongoing Covid-19 pandemic. The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### 2.5 Turnover

Turnover from the sale of goods and services is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and its probable the economic benefits of the transaction will flow to the Group.

Turnover on the sale of software licences is recognised on delivery of the licence to the customer and the customer has the ability to use the software. If significant post-delivery obligations exist, turnover is deferred until no significant obligations remain. Turnover from maintenance and support service contracts is invoiced in advance, accounted for as deferred turnover and recognised as turnover in installments over the term of the contract. Turnover from software development and consultancy services is recognised over the duration of the project on a percentage of completion basis. Turnover from SaaS contracts is invoiced in advance, accounted for as deferred turnover and recognised as turnover in installments over the term of the service provided.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

---

#### 2. Accounting policies (continued)

##### 2.6 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 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 profit or loss within 'other operating income'.

On consolidation, all assets and liabilities of overseas operations are translated at the closing rate. Exchange differences arising on translating the net assets and the results of overseas operations are recognised in other comprehensive income.

##### 2.7 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

##### 2.8 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.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

---

#### 2. Accounting policies (continued)

##### 2.9 Grant income

Grants are accounted for under the accruals model as permitted by FRS102.

Grants of a revenue nature are recognised in 'other operating income' within the Statement of Comprehensive Income in the same period as the related expenditure. Grants received were for the Government Coronavirus Job Retention Scheme. The Company has not directly benefited from any other forms of Government assistance.

Payments received from the Government were for furloughed employees under the Coronavirus Job Retention Scheme. These are all included within other operating income. This grant money is receivable as a compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and related expenses incurred.

##### 2.10 Interest income

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

##### 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 Borrowing costs

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

##### 2.13 Taxation

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 reporting date in the countries where the Company and the Group operate and generate income.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

---

#### 2. Accounting policies (continued)

##### 2.14 Intangible assets

###### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

###### Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated range is as follows:

Development costs	- 33% to 100%
Goodwill	- 10% to 25%

##### 2.15 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research is recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 1 to 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

---

#### 2. Accounting policies (continued)

##### 2.16 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.

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:

Long-term leasehold property	-	2% of property excluding land
Motor vehicles	-	25%
Fixtures and fittings	-	10% to 25%
Computer equipment	-	25%

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.

##### 2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.18 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.

##### 2.19 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.

##### 2.20 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 and loans to related parties.

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.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

---

#### 2. Accounting policies (continued)

##### 2.21 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.

##### 2.22 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. *Assets acquired by hire purchase are depreciated over their useful lives.* Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### 2.23 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 profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

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

In preparing these financial statements, the Directors have made the following judgements:

Determine whether there are indicators of impairment of the Group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic visibility and expected future financial performance of the asset.

Other key sources of estimation uncertainty:

- **Tangible fixed assets (see note 14)**  
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Impairment of intangible assets (see note 13)**  
An impairment review is performed at the reporting date, which requires an estimation of the value of the cash generating units to which goodwill has been allocated. The calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit, a suitable discount rate and the future selling multiple in order to calculate present value. No impairment has been identified at the reporting date.

#### 4. Turnover

Analysis of turnover by country of destination:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
UK & Ireland	<b>11,146,706</b>	11,867,057
Rest of World	<b>728,426</b>	482,948
Rest of Europe	<b>98,071</b>	102,054
	<b>11,973,203</b>	<b>12,452,059</b>

Included in total turnover is sale of software goods amounting to £614,950 (2019 - £675,369), all remaining turnover is derived from the rendering of services.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 5. Exceptional items

	2020	2019
	£	£
Restructuring costs	69,244	122,083

The restructuring costs in 2020 related to restructuring of the business in respect of the ongoing Covid-19 pandemic and changes to the working environment.

The restructuring costs in 2019 related to a restructuring of middle management and the closure of the business unit in the USA and the write off of an outstanding intercompany balance.

#### 6. Other operating income

	2020	2019
	£	£
Government grant	142,910	-
Sundry income	54,172	-
	197,082	-

The Government grant income was received from the Government for furloughed employees under the Coronavirus Job Retention Scheme.

Sundry income relates to Research and Development expenditure credits claimed in the year.

#### 7. Operating profit/(loss)

The operating loss is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation of tangible fixed assets	111,098	158,975
Amortisation of intangible fixed assets	936,370	952,138
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	39,050	37,889
Operating lease rentals	127,862	124,072

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 8. Employees

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Wages and salaries	6,009,441	6,281,466	-	-
Social security costs	666,296	661,006	-	-
Cost of defined contribution scheme	248,147	216,819	-	-
	<u>6,923,884</u>	<u>7,159,291</u>	<u>-</u>	<u>-</u>

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

	2020 No.	2019 No.
Sales	15	19
Administration and Management	15	12
Operations	87	86
	<u>117</u>	<u>117</u>

The Company has no employees other than the Directors, who did not receive any remuneration (2019 - £NIL)

#### 9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	224,505	340,413
Company contributions to defined contribution pension schemes	9,527	10,665
	<u>234,032</u>	<u>351,078</u>

During the year retirement benefits were accruing to 2 Directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £113,504 (2019 - £167,375).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £4,514 (2019 - £5,625).

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 10. Interest receivable

	2020	2019
	£	£
Bank interest received	992	-
	992	-

#### 11. Interest payable and similar expenses

	2020	2019
	£	£
Bank interest payable	-	274
Other interest payable	24,876	10,652
Loan note interest	31,050	29,640
Finance leases and hire purchase contracts	-	2,944
	55,926	43,510

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 12. Taxation

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on loss for the year	77,422	23,199
Adjustments in respect of previous periods	(23,006)	9
<b>Total current tax</b>	<b>54,416</b>	<b>23,208</b>

#### Factors affecting tax charge for the year

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

	2020 £	2019 £
Loss on ordinary activities before tax	(39,073)	(313,370)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(7,424)	(59,540)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(3,741)	22,782
Fixed asset differences	167,055	146,106
Adjustments to tax charge in respect of prior periods	(23,006)	9
Non-taxable income	(10,293)	(12,695)
Adjust closing deferred tax to average rate	-	23,004
Adjust opening deferred tax to average rate	-	(29,241)
Deferred tax not recognised	(50,237)	(53,016)
Remeasurement of deferred tax for changes in tax rates	(18,169)	-
Impact of different tax rates	6,065	(11,874)
Tax losses brought forward	(5,834)	(2,327)
<b>Total tax charge for the year</b>	<b>54,416</b>	<b>23,208</b>

#### Factors that may affect future tax charges

Under legislation substantively enacted on 17 March 2020, the UK tax rate was planned to remain to be 19% from 1 April 2020 onwards. The budget resolution has announced a rise of the UK Corporation tax rate to 25% from 1 April 2023. This had not been substantively enacted at the reporting date of the financial statements and as such has not impacted upon the calculation of deferred tax as at 31 December 2020. The utilisation of the new corporation tax rate proposed in the recent budget will be considered in future periods.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 13. Intangible assets

##### Group

	Development costs £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2020	1,009,069	15,907,736	16,916,805
Additions	417,708	-	417,708
Foreign exchange movement	19,564	-	19,564
At 31 December 2020	<u>1,446,341</u>	<u>15,907,736</u>	<u>17,354,077</u>
<b>Amortisation</b>			
At 1 January 2020	754,405	14,533,152	15,287,557
Charge for the year	171,353	765,017	936,370
At 31 December 2020	<u>925,758</u>	<u>15,298,169</u>	<u>16,223,927</u>
<b>Net book value</b>			
At 31 December 2020	<u>520,583</u>	<u>609,567</u>	<u>1,130,150</u>
At 31 December 2019	<u>254,664</u>	<u>1,374,584</u>	<u>1,629,248</u>

As part of the year-end financial statements preparation, the Directors of the various m-hance companies have undertaken a review of the carrying value of the goodwill on the Statement of Financial Position. The goodwill has arisen through the acquisition of various businesses acquired between 2010 and 2012 which have been integrated to form m-hance. All of the acquired businesses have been integrated and operate as a single business, trading through one entity in each jurisdiction with significant cross selling activities. Accordingly, the Directors have considered the cash-flows of the combined business when assessing whether the carrying value of goodwill has been impaired. As a result of this review and in the light of the 2020 trading performance the Directors have agreed that no impairment is required.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 14. Tangible fixed assets

##### Group

	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>					
At 1 January 2020	1,842,000	13,495	325,778	1,131,059	3,312,332
Additions	-	-	-	12,281	12,281
At 31 December 2020	<u>1,842,000</u>	<u>13,495</u>	<u>325,778</u>	<u>1,143,340</u>	<u>3,324,613</u>
<b>Depreciation</b>					
At 1 January 2020	521,900	13,495	292,425	1,038,830	1,866,650
Charge for the year	36,840	-	9,614	64,644	111,098
At 31 December 2020	<u>558,740</u>	<u>13,495</u>	<u>302,039</u>	<u>1,103,474</u>	<u>1,977,748</u>
<b>Net book value</b>					
At 31 December 2020	<u><u>1,283,260</u></u>	<u><u>-</u></u>	<u><u>23,739</u></u>	<u><u>39,866</u></u>	<u><u>1,346,865</u></u>
At 31 December 2019	<u><u>1,320,100</u></u>	<u><u>-</u></u>	<u><u>33,353</u></u>	<u><u>92,229</u></u>	<u><u>1,445,682</u></u>

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

	2020 £	2019 £
Computer equipment	<u><u>-</u></u>	<u><u>40,000</u></u>

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 15. Fixed asset investments

##### Company

	<b>Investments in subsidiary companies £</b>
<b>Cost and net book value</b>	
At 1 January 2020	3,352,884
At 31 December 2020	3,352,884

##### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Holding
m-hance Limited *	Trinity House, Bredbury Park Way, Stockport, Cheshire, SK6 2SN	100%
m-hance Holding (Ireland) Limited *	32 Molesworth Street, Dublin 2, DO2 Y512, Ireland	100%
m-hance Cloud Software Solution Limited **	32 Molesworth Street, Dublin 2, DO2 Y512, Ireland	100%

\* Direct subsidiary undertaking

\*\* Indirect subsidiary undertaking

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 16. Debtors: amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	1,002,741	1,103,113	-	-
Amounts owed by group undertakings	-	-	7,800,470	7,800,470
Other debtors	49,761	104,401	49,761	-
Prepayments	381,212	319,105	-	-
Director's loan	46,545	-	46,545	-
Deferred maintenance costs	830,420	971,572	-	-
	<u>2,310,679</u>	<u>2,498,191</u>	<u>7,896,776</u>	<u>7,800,470</u>

The Group impairment loss recognised in the Consolidated Statement of Comprehensive Income for the year in respect of bad and doubtful trade debtors was £Nil (2019 - £Nil). The Company did not recognise an impairment loss in the year (2019 - £Nil).

Amounts owed by group undertakings are unsecured, non interest bearing and repayable on demand.

#### 17. Creditors: amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Mortgage account	43,750	202,667	-	-
Trade creditors	808,899	875,170	-	-
Amounts owed to group undertakings	-	-	4,842,836	4,842,836
Amounts owed to shareholder	-	61,000	-	-
Corporation tax	25,060	23,199	-	-
Other taxation and social security	1,609,899	594,870	-	-
Other creditors	45,208	152,545	-	-
Accruals	469,508	585,834	-	-
Deferred income	3,342,637	3,529,673	-	-
	<u>6,344,961</u>	<u>6,024,958</u>	<u>4,842,836</u>	<u>4,842,836</u>

Amounts owed to group undertakings are unsecured, non interest bearing and payable on demand.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 18. Creditors: amounts falling due after more than one year

	<b>Group 2020</b>	<b>Group 2019</b>
	£	£
Mortgage account	656,210	50,666
Shareholder loan note	451,367	558,225
Deferred income	42,440	53,717
	<b>1,150,017</b>	<b>662,608</b>

#### 19. Loans

Analysis of the maturity of loans is given below:

	<b>Group 2020</b>	<b>Group 2019</b>
	£	£
<b>Amounts falling due within one year</b>		
Mortgage account	43,750	202,667
<b>Amounts falling due 1-2 years</b>		
Mortgage account	175,000	50,666
Shareholder loan notes	451,367	558,225
	<b>626,367</b>	<b>608,891</b>
<b>Amounts falling due 2-5 years</b>		
Mortgage account	481,210	-
	<b>1,151,327</b>	<b>811,558</b>

The mortgage loan accrues interest at a rate of 2.5% above base and the mortgage is repayable over 5 years with the final repayment in 2025. The shareholder loan note accrues interest at a rate of 5%.

The mortgage account loan is secured by a charge over Trinity House, 6-10 Bredbury Business Park, Stockport. The shareholder loan note is unsecured.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 20. Provisions

##### Group

	<b>Restructuring provision £</b>
At 1 January 2020	110,020
Utilised in the year	(9,345)
<b>At 31 December 2020</b>	<b>100,675</b>

#### 21. Share capital

	<b>2020 £</b>	<b>2019 £</b>
<b>Allotted, called up and fully paid</b>		
10,000 (2019 - 10,000) Ordinary shares of £0.01 each	100	100
2,100 (2019 - 0) A Ordinary shares of £0.01 each	21	-
	<b>121</b>	<b>100</b>

The shares rank pari passu except the A shares do not have dividend rights and have restrictions on a distribution on an exit event or return of capital as set out in the Articles of Association.

#### 22. Reserves

The Group and Company's capital and reserves are as follows:

##### Share capital

Called up share capital represents the nominal value of the shares issued.

##### Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

##### Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

## m-hance Group Limited

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 23. Pension commitments

The Group operates a defined benefit contribution scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £237,362 (2019 - £216,819).

At 31 December 2020 contributions amounting to £45,804 (2019 - £42,234) were owed by the Group at that date.

#### 24. Commitments under operating leases

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

	Group 2020 £	Group 2019 £
Not later than 1 year	13,078	82,174
Later than 1 year and not later than 5 years	-	1,200
	13,078	83,374

#### 25. Analysis of net debt

	At 1 January 2020 £	Cash flows £	Other non- cash changes £	At 31 December 2020 £
Cash at bank and in hand	484,981	1,580,739	-	2,065,720
Debt due after 1 year	(608,891)	(467,636)	(31,050)	(1,107,577)
Debt due within 1 year	(202,667)	158,917	-	(43,750)
	(326,577)	1,272,020	(31,050)	914,393

#### 26. Related party transactions

The Company has taken advantage of the available exemption conferred by section 33.1A of FRS 102 not to disclose transactions with wholly owned group members.

Key management personnel include all Directors of the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group is disclosed in note 9.

At the year-end the Group had a loan balance of £451,367 (2019 - £558,225) outstanding with Better Capital LLP, the ultimate controlling party. In the year, interest of £31,050 (2019 - £29,640) was incurred on the loan balance.

## **m-hance Group Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2020**

---

#### **27. Controlling party**

The ultimate controlling party is BECAP Fund LP by virtue of a majority shareholding in the ultimate parent company.