

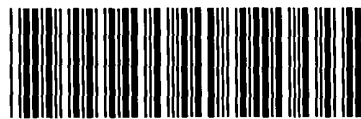
# REGISTRAR

Registered number: 01852206

## MHR INTERNATIONAL UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**MHR INTERNATIONAL UK LIMITED**

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**COMPANY INFORMATION**

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

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**MHR INTERNATIONAL UK LIMITED**

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## **MHR INTERNATIONAL UK LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Introduction**

The Directors present their report and the financial statements for the year ended 31 December 2021.

#### **Business review**

The Directors are pleased to report another successful year. Net assets have increased by 155% in the financial year due to profits earned 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 c1,431 (2020 - c1,360) 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 2021 was a success for revenue with organic growth of 14.4% to £90,851,412 (2020 - £79,393,139).

Profit before interest and tax was £16,158,894 (2020 - £11,665,002) and the operating profit margin was 17.8% (2020 - 14.7%).

##### **Balance Sheet**

The strong performance of the Company in 2021 resulted in an improved position in net assets in comparison to the prior year, 2021 closing at £7,301,918 (2020 - £2,866,096).

#### **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.

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

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**MHR INTERNATIONAL UK LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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 14% to £90,851,412 (2020 - £79,393,139).

**Profit before interest and tax**

The Company achieved profit before interest and tax of £11,491,129 (2020 - £11,665,002).

**Net profit margin**

The Company achieved a net profit margin before interest and tax of 12.9% (2020 - 14.7%).

**Other key performance indicators**

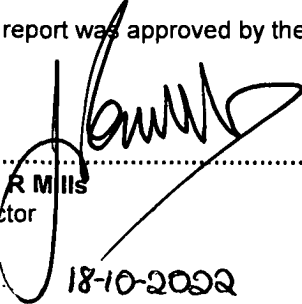
The Directors consider the following Key Performance Indicators when assessing the non-financial performance of the Company:

We support the management, development and payment of approximately 9.0% (2020 - 9.0%) of the UK workforce, equating to 3.0 million (2020 – 2.9 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 2021.

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

  
.....  
**Mr J R Mills**  
Director

Date: 18-10-2022

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## **MHR INTERNATIONAL UK LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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The Directors present their report and the financial statements for the year ended 31 December 2021.

#### **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 £9,436,822 (2020 - £9,294,448).

Dividends of £6,000,000 (2020 - £9,000,000) 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 judgements 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 2022 through organic expansion into new international markets.

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**MHR INTERNATIONAL UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Greenhouse gas emissions, energy consumption and energy efficiency action**

This report is provided to comply with the UK Government's policy on Streamlined Energy and Carbon Reporting.

The Company is aware that it carries considerable responsibility for society and the environment, evidenced by the actions and ongoing initiatives within the Company.

This report covers all energy usage in the buildings, processes and all fuels consumed in vehicles across the Company:

	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
<b>Energy consumption to calculate emissions</b>	<b>kWh</b>	<b>%</b>	<b>kWh</b>	<b>%</b>
Natural Gas	384,808	82.6%	369,852	84.8%
Diesel (Fleet)*	12,302	2.6%	12,302	2.8%
Gas oil	68,718	14.8%	53,873	12.4%
<b>Total energy consumption kWh</b>	<b>465,828</b>		<b>436,026</b>	
	<b>2021</b>		<b>2020</b>	
<b>Emissions</b>	<b>Kg CO2</b>		<b>Kg CO2</b>	
Natural Gas	70,755		68,005	
Diesel (Fleet)*	2,959		2,959	
Gas oil	17,641		13,830	
<b>Total gross emissions tCO2</b>	<b>91,355</b>		<b>84,794</b>	
Total Turnover	£90.851m		£79.393m	
<b>Intensity ratio</b>				
tCO2e per £(m) Turnover *	1.01		1.07	

\* Represents fuel used in personal and business cars on business use for which the Company reimburses its employees following claims for business mileage.

**Energy Efficiency Actions**

Electricity used by the business is supplied under a Renewable Energy Guaranteed Origin contract, meaning all Electricity used is carbon neutral. The Company is committed to further reducing its carbon footprint in the forthcoming year.

**Scope and Operational Boundaries**

Reported emissions come from consumption of grid supplied electricity, grid supplied natural gas, LPG, gas oil, company owned and operated transport and company controlled plant.

**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.

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**MHR INTERNATIONAL UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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**

Please refer to Note 24 for details on post balance sheet events impacting the Company.

**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: 18-10-2022

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**MHR INTERNATIONAL UK LIMITED**

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

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**Opinion**

We have audited the financial statements of MHR International UK Limited (the 'Company') for the year ended 31 December 2021, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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.

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**MHR INTERNATIONAL UK LIMITED**

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

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**Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report. 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.

**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.

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**MHR INTERNATIONAL UK LIMITED**

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

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**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 assess 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 a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

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**MHR INTERNATIONAL UK LIMITED**

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

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**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 (Hons) ACA (Senior Statutory Auditor)

for and on behalf of

**MHA MacIntyre Hudson**

Chartered Accountants

Statutory Auditors

Northampton

Date: 18-10-2022

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**MHR INTERNATIONAL UK LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	Note	2021 £	2020 £
Turnover	4	90,851,412	79,393,139
Cost of sales		(11,074,641)	(6,102,431)
<b>Gross profit</b>		<b>79,776,771</b>	<b>73,290,708</b>
Administrative expenses		(68,083,950)	(61,625,706)
<b>Operating profit</b>	5	<b>11,692,821</b>	<b>11,665,002</b>
Interest receivable and similar income		-	21,481
Interest payable and similar expenses	9	(201,692)	(144,692)
<b>Profit before tax</b>		<b>11,491,129</b>	<b>11,541,791</b>
Tax on profit	10	(2,054,307)	(2,247,343)
<b>Profit for the financial year</b>		<b>9,436,822</b>	<b>9,294,448</b>

There were no recognised gains and losses for 2021 or 2020 other than those included in the profit and loss account.

The notes on pages 13 to 27 form part of these financial statements.

**MHR INTERNATIONAL UK LIMITED**  
**REGISTERED NUMBER: 01852206**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £	2021 £	2020 £	2020 £
<b>Fixed assets</b>					
Tangible assets	12		7,797,214		8,458,461
<b>Current assets</b>					
Debtors: amounts falling due within one year	13	29,889,043		19,954,768	
Cash at bank and in hand	14	15,111,215		10,450,626	
		<u>45,000,258</u>		<u>30,405,394</u>	
Creditors: amounts falling due within one year	15	(37,693,104)		(30,773,448)	
<b>Net current assets/(liabilities)</b>			<u>7,307,154</u>		<u>(368,054)</u>
<b>Total assets less current liabilities</b>			<u>15,104,368</u>		<u>8,090,407</u>
Creditors: amounts falling due after more than one year	16		(2,688,960)		(4,576,894)
<b>Provisions for liabilities</b>					
Other provisions	19		(5,113,490)		(647,417)
<b>Net assets</b>			<u>7,301,918</u>		<u>2,866,096</u>
<b>Capital and reserves</b>					
Called up share capital	20		1,000,000		1,000
Profit and loss account			6,301,918		2,865,096
			<u>7,301,918</u>		<u>2,866,096</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: 18/10/2022

The notes on pages 13 to 27 form part of these financial statements.

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**MHR INTERNATIONAL UK LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2020</b>	<b>1,000</b>	<b>2,570,648</b>	<b>2,571,648</b>
Profit for the year	-	<b>9,294,448</b>	<b>9,294,448</b>
Dividends: Equity capital	-	<b>(9,000,000)</b>	<b>(9,000,000)</b>
<b>At 1 January 2021</b>	<b>1,000</b>	<b>2,865,096</b>	<b>2,866,096</b>
Profit for the year	-	<b>9,436,822</b>	<b>9,436,822</b>
Dividends: Equity capital	-	<b>(6,000,000)</b>	<b>(6,000,000)</b>
Shares issued during the year	<b>999,000</b>	-	<b>999,000</b>
<b>At 31 December 2021</b>	<b>1,000,000</b>	<b>6,301,918</b>	<b>7,301,918</b>

The notes on pages 13 to 27 form part of these financial statements.

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**MHR INTERNATIONAL UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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.

The Company's Financial Statements' functional and presentational currency is British Pound Sterling and are rounded to the nearest £1.

**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 judgement 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 2021 and these financial statements may be obtained from the Registrar of Companies.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the 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.

**2.4 Tangible fixed assets**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

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.

2.5 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.

2.6 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.

2.7 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.7 Financial instruments (continued)**

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.

**2.8 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.

**2.9 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.

**2.10 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.

**2.11 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.

**2.12 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.13 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.

**2.14 Interest income**

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

**2.15 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.

**2.16 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 except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**3. Judgements 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.

Included within note 21 is a provision for an ongoing claim with a supplier in relation to royalties paid between 2015 and 2019. A settlement amount was agreed on 29 September 2022, the settlement amount has been fully provided for in the financial statements, represented by the charge in the year of £4,466,073. The total provision is £5,113,490. This provision is expected to be settled before the end of the financial year ended 31 December 2022.

There are no other 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:

	2021 £	2020 £
United Kingdom	90,589,640	79,098,788
Rest of Europe	37,273	50,553
Rest of the world	224,499	243,798
	<u>90,851,412</u>	<u>79,393,139</u>

**5. Operating profit**

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	2,487,171	2,075,493
Exchange differences	(3,047)	4,494
Other operating lease rentals	2,497,624	2,120,395
Provisions charged to profit or loss	4,466,073	647,417
	<u>4,466,073</u>	<u>647,417</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**6. Auditor's remuneration**

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>27,830</u>	<u>23,500</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.

**7. Employees**

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

	2021 £	2020 £
Wages and salaries	40,339,484	36,578,918
Social security costs	4,632,347	4,221,086
Cost of defined contribution scheme	2,000,860	1,918,089
	<u>46,972,691</u>	<u>42,718,093</u>

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

	2021 No.	2020 No.
Salaried staff	<u>719</u>	<u>693</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**8. Directors' remuneration**

	2021 £	2020 £
Directors' emoluments	363,844	323,314
Company contributions to defined contribution pension schemes	23,000	23,000
	<u>386,844</u>	<u>346,314</u>

During the year retirement benefits were accruing to 1 Director (2020 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £363,844 (2020 - £323,314).

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 (2020 - £23,000).

**Key management personnel**

The Company had no key management personnel other than the directors during the year (2020 - £nil).

**9. Interest payable and similar expenses**

	2021 £	2020 £
Finance leases and hire purchase contracts	197,170	144,692
Other interest payable	4,522	-
	<u>201,692</u>	<u>144,692</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**10. Taxation**

	2021 £	2020 £
<b>Corporation tax</b>		
Current tax on profits for the year	2,016,250	2,155,761
Adjustments in respect of previous periods	(65,540)	-
	<u>1,950,710</u>	<u>2,155,761</u>
<b>Total current tax</b>	<u>1,950,710</u>	<u>2,155,761</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	112,488	91,582
Changes to tax rates	(8,891)	-
<b>Total deferred tax</b>	<u>103,597</u>	<u>91,582</u>
<b>Taxation on profit on ordinary activities</b>	<u>2,054,307</u>	<u>2,247,343</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>11,491,129</u>	<u>11,541,791</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,183,315	2,192,940
<b>Effects of:</b>		
Expenses not deductible for tax purposes	10,341	10,841
Capital allowances for year in excess of depreciation	(64,387)	(54,965)
Adjustments to tax charge in respect of prior periods	(65,540)	-
Other timing differences leading to a decrease in taxation	(9,422)	98,527
<b>Total tax charge for the year</b>	<u>2,054,307</u>	<u>2,247,343</u>

**Factors that may affect future tax charges**

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**MHR INTERNATIONAL UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**10. Taxation (continued)**

On 24 May 2021 the UK Government substantively enacted the increase in the Corporation Tax rate from 19% to 25% with effect from 1 April 2023.

**11. Dividends**

	2021 £	2020 £
Dividends paid	<u>6,000,000</u>	<u>9,000,000</u>

**12. Tangible fixed assets**

	Short-term leasehold property £	Motor vehicles £	Equipment £	Total £
<b>Cost</b>				
At 1 January 2021	4,026,183	184,115	12,346,291	16,556,589
Additions	5,253,939	-	1,928,358	7,182,297
Transfers intra group	(5,356,373)	-	-	(5,356,373)
At 31 December 2021	<u>3,923,749</u>	<u>184,115</u>	<u>14,274,649</u>	<u>18,382,513</u>
<b>Depreciation</b>				
At 1 January 2021	969,146	77,305	7,051,677	8,098,128
Charge for the year on owned assets	503,448	16,289	547,836	1,067,573
Charge for the year on financed assets	-	-	1,419,598	1,419,598
At 31 December 2021	<u>1,472,594</u>	<u>93,594</u>	<u>9,019,111</u>	<u>10,585,299</u>
<b>Net book value</b>				
At 31 December 2021	<u>2,451,155</u>	<u>90,521</u>	<u>5,255,538</u>	<u>7,797,214</u>
At 31 December 2020	<u>3,057,037</u>	<u>106,810</u>	<u>5,294,614</u>	<u>8,458,461</u>

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

2021 £	2020 £
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**12. Tangible fixed assets (continued)**

Equipment	<u>4,605,063</u>	<u>4,585,379</u>
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**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Debtors**

	2021 £	2020 £
Trade debtors	14,197,800	12,039,008
Amounts owed by group undertakings	5,874,644	848,711
Other debtors	1,458,039	-
Prepayments and accrued income	8,282,975	6,887,867
Deferred taxation	75,585	179,182
	<u>29,889,043</u>	<u>19,954,768</u>

**14. Cash and cash equivalents**

	2021 £	2020 £
Cash at bank and in hand	<u>15,111,215</u>	<u>10,450,626</u>

**15. Creditors: Amounts falling due within one year**

	2021 £	2020 £
Trade creditors	2,505,232	959,103
Corporation tax	-	759,740
Other taxation and social security	4,588,061	3,897,371
Obligations under finance lease and hire purchase contracts	2,440,444	2,079,039
Other creditors	411,590	328,199
Accruals and deferred income	27,747,777	22,749,996
	<u>37,693,104</u>	<u>30,773,448</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**16. Creditors: Amounts falling due after more than one year**

	2021 £	2020 £
Net obligations under finance leases and hire purchase contracts	2,658,420	3,101,629
Amounts owed to group undertakings	30,540	1,475,265
	<u>2,688,960</u>	<u>4,576,894</u>

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

**17. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	2,440,444	2,079,039
Between 1-5 years	2,658,420	3,101,629
	<u>5,098,864</u>	<u>5,180,668</u>

**18. Deferred taxation**

	2021 £	2020 £
At beginning of year	179,182	270,764
Charged to profit or loss	(103,597)	(91,582)
<b>At end of year</b>	<u>75,585</u>	<u>179,182</u>

The deferred tax asset is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	32,745	147,656
Provisions	42,840	31,526
	<u>75,585</u>	<u>179,182</u>

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**MHR INTERNATIONAL UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**19. Provisions**

	<b>Other provision £</b>
At 1 January 2021	<b>647,417</b>
Charged to profit or loss	<b>4,466,073</b>
<b>At 31 December 2021</b>	<b><u>5,113,490</u></b>

At the year end there was an ongoing claim with a supplier in relation to royalties paid between 2015 and 2019. A settlement amount was agreed on 29 September 2022, the settlement amount has been fully provided for in the financial statements, represented by the charge in the year of £4,466,073. This provision is expected to be settled before the end of the financial year ended 31 December 2022.

**20. Share capital**

	<b>2021 £</b>	<b>2020 £</b>
<b>Allotted, called up and fully paid</b>		
1,000,000 (2020 - 1,000) Ordinary 'A' shares of £1.00 each	<b><u>1,000,000</u></b>	<b><u>1,000</u></b>

On 16th December 2021, the Company issued 999,000 ordinary 'A' shares of £1.00 each. All shares carry equal voting rights.

**21. 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 £338,254 (2020 - £305,212) were payable to the fund at the Balance Sheet date.

**22. Commitments under operating leases**

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	<b>2021 £</b>	<b>2020 £</b>
Not later than 1 year	<b>1,402,642</b>	1,444,280
Later than 1 year and not later than 5 years	<b>11,609</b>	-
	<b><u>1,414,251</u></b>	<b><u>1,444,280</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. 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 £13,240 (2020 - £5,119) from Mills Agricultural Limited. The loan is interest free and has no specific terms of repayment.

**24. Post balance sheet events**

On 29 September 2022 the ongoing claim with a supplier in relation to royalties paid between 2015 and 2019 was settled. This settlement has been provided for in full within the financial statements. This provision is expected to be settled before the end of the financial year ended 31 December 2022.

**-25. 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 voting rights in MHR Global Holdings Limited.