MBH CORPORATION PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2018

COMPANY REGISTRATION
NUMBER 10238873

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OFFICERS AND PROFESSIONAL ADVISERS 31 DECEMBER 2018

THE BOARD OF DIRECTORS

Mr Callum Arthur Michael Laing
Mr Allan Michael Presland
Mr Victor Wei-Nam Tan
Mr David Hallam
Mr Toby David Street

COMPANY REGISTRATION NUMBER

10238873

REGISTERED OFFICE

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John Archer Way
London SW18 3SX
United Kingdom

AUDITORS

Barnes Roffe LLP
Chartered Accountants & Statutory Auditor
Charles Lake House
Claire Causeway
Crossways Business Park
Dartford DA2 6QA
United Kingdom

SHARE REGISTRAR

Avenir Registrars Limited
5 St John's Lane
Farringdon
London EC1M 4BH
United Kingdom

UK SOLICITORS TO THE COMPANY

Bryan Cave Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
United Kingdom

STOCK EXCHANGE LISTING

MBH Corporation plc is listed on:

Primarmarkt of the Dusseldorf stock exchange (M8H:GR)

Frankfurt Stock Exchange (M8H)

CALLUM LAING
NON-EXECUTIVE CHAIRMAN

CHAIRMANS STATEMENT

Fellow Owners,

Welcome to our first year's numbers. I believe that whether you are an entrepreneur whose business resides within MBH, or someone who bought the stock on the market yesterday, you should have the opportunity to understand the business that you currently own.

To that end the financial numbers presented here are just a very small part of the equation, the share price merely a reflection of the buyers and sellers on any given day. The story behind what we do will give you a far better gauge of the true value of your shares and it is that I hope to convey over the coming pages.

2018 was a great year for MBH. We had our prospectus approved by the United Kingdom Listing Authority ("UKLA"), we have listed our holding company, brought in the original 3 businesses, Cape, Parenta and Acacia, uplisted to the Frankfurt Stock Market and managed to do our first acquisition, du Boulay Contracts, before the end of the year. Each of those companies in turn had very good years.

In general we won't break out numbers by individual companies, but nor do we feel that paying too much attention to the year to year numbers of the individual companies is that useful for dispassionate investors. When you are dealing with small businesses, a single contract slipping a week can drastically change the financials of that business that year. The sophisticated owner of our stock should be far more interested in our execution of the Agglomeration strategy than the specifics of any individual company.

Having said that, we are immensely proud of the contribution that the 3 original companies of Cape, Acacia and Parenta provided in 2018 so allow me a little indulgence before we go back to strategy.

The topline revenue for the founding 3 companies of the Group grew organically 22% which is testament to the hard work of the teams to keep building their businesses with all the distractions of a stock market listing going on.

EBITDA is up 6% and whilst profit after tax is down 4%, that is mainly due to NZ's higher corporate tax rate. I will talk later about our intentions when it comes to returning cash to investors, but we are very pleased with these results.

EARNINGS PER SHARE (EPS)

As I mentioned in my opening Chairman's Letter (https://www.mbhcorporation.com/chairmans-letter), whilst others might obsess about our share price, internally the metric we focus on is EPS. To that end it is great to be able to report that in 2018 we have seen 58% growth from £0.07 to £0.11.

It is worth a quick diversion to discuss the Principals (the terminology we use for the representatives of each wholly owned subsidiary in MBH); Dave, Vikki and Allan are very much examples of their own fantastic businesses (Cape, Acacia and Parenta respectively). But more importantly, each one of them is a great example of the types of business owners we wish to attract to MBH. Their approach to running their own businesses, managing their teams, supporting each other and finding time to talk to external business owners about MBH is a constant source of inspiration to all of us. James joining us with duBoulay is very much in keeping with that model.

As we continue to add businesses to MBH, we will of course see more diversity of Principals joining us and many will not be the same people that started their business (an inevitability of focusing on mature businesses, not start-ups), however we will always have a bias towards businesses that come with their founders. When a founder puts half their adult life into building a business it engenders a long-termism that flows throughout the business from the staff to the clients and the partners they have established in their industries. There is no faking the pride you hear from Allan when he talks about his team as genuine partners in the business. When Dave talks about the quality of work they deliver or Vikki talks about the years and years of loyalty amongst her team.

Maybe we can't quantify all that in these bi-annual numbers, but it is our hope that likes attract. If we can continue to attract business owners with the same passion, drive (and sense of humour) as the first three, not only will we have the best possible chance of success, we will also have a fantastic time along the journey!

Agglomeration AND MOVING FORWARD

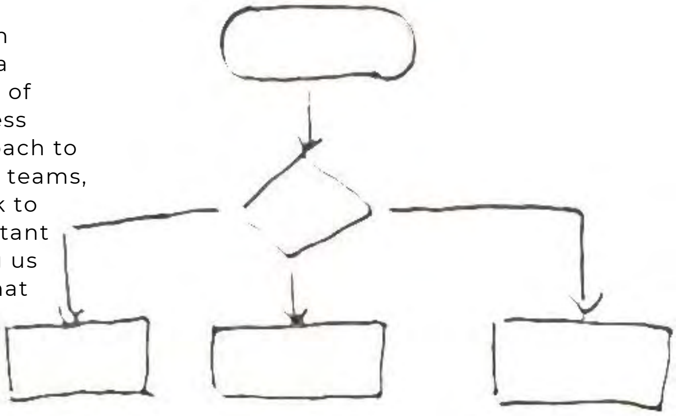
2018 was very much about putting the foundations in place and I hope you can see from the numbers we have a very solid foundation upon which to build.

Our move to the Frankfurt Stock Market at the end of 2018 was really the final step in our preparation, or the first step in our actual journey, either way, it signalled the turning point that allows us execute on our strategy.

Already since that point we have announced some significant backing from institutions that have chosen to support the work we are doing. More importantly we have done our first few acquisitions. These deals mean we have added significantly more revenue to the group in around 4 months through accretive acquisitions using stock.

And of course, we not only get the businesses, we also get the fantastic teams that come with them.

When we uplisted we announced our intention to do 15-20 acquisitions in our first year. To some that might seem a goal too far given our relatively quiet first quarter. However, I do appreciate some ownership of our stock may still be based more on faith at this point. It is our performance that I hope will retain you as a fellow owner over the long term.



Adding 15-20 companies in the remaining months of 2019 may sound a little farfetched to those not familiar with our ethos. For us we are comfortable that we can handle it well. Entrepreneurship can often look messy from the outside but as experienced entrepreneurs we will adapt and grow and apply our experience and know-how to implementing this growth. Indeed our model is such, that like legs on a stool, as we add more companies our, and therefore your, risk is reduced.

Our confidence in the continued appeal of MBH to good business owners comes from an understanding of our benefits. And our competitors' drawbacks.

That attraction is born from the strategy of leaving our Principals in control of their businesses. And quite frankly we don't have a lot of competition in this area. Few buyers will give the Principals the independence we do, nor the support and community that we offer. And whilst our 'friends' in the Private Equity space are forced to offer ever higher valuations in a bid to deploy the crazy pots of cash they are sitting on, the Principals that join our team have chosen not to take that money. Maybe it's that they don't want to saddle their companies with eye watering debt? Or maybe it's that they don't want some thirty-something with an MBA and a flashy suit coming in and telling them how to run their business? To a mercenary capitalist, it might seem crazy that an owner would choose the long-term growth of their business over the chance to cash out. But isn't that what good entrepreneurs do every day? Sacrifice short term gains for the long-term value?

Certainly, the ones we want to work with are well versed in doing so!

The companies we target have been well documented; debt free, profitable, owner operated and cash generating with 100% ownership moving to MBH, the keen observer may spot some outliers that join the team this year. We are an entrepreneurial organisation and some deals are too good to pass up, even if they do come with some variations on the above. This is no cause for concern and nor is it a deviation from our strategy, rather it is, hopefully, intelligent flexibility to deliver the best returns for all shareholders.

Having said that, it can also go the other way. It is not just the quantity, but the quality of the businesses that will make MBH great. We will certainly turn down businesses that don't fit our ethos or values even if they do hit the other criteria. Commitment to hitting targets is not 'at all costs'. If hitting those numbers slides into 2020 it will be because it was the right thing to do. Fortunately, the quality of business owners we speak to everyday gives me the confidence that those targets are still very much in play.

A WORD ON DIVERSIFICATION

I feel I must address a common concern around diversification. Our model is and will continue to be heavily diversified, geographically and by sector. Geographically, I'm afraid I have little faith in the current crop of global leaders or their peers that I would choose to place all my eggs in one basket (I'm old enough to remember when the US and the UK were not the political laughing stock of the world!). As we add companies, so we will add more countries. Most will be English language, English rule of law, but we certainly look at good companies outside of that too. It is our hope that we will add a German company to the mix before too long.

Sector wise, unlike the many talking heads, I have little to no faith in our ability to time industry cycles. Fortunately, being both diversified and with a buy and hold strategy we do not feel we have to. Having said that, when companies do come from a cyclical industry, we like to know they have survived the cycles in the past.

So what about the conglomerate discount I am often asked? For those not in the know, the conglomerate discount is a 15% discount applied by analysts to groups like ours based on the idea that investors can and should do their own diversification.

My response is 3 fold:

Firstly Our investors cannot diversify an investment into small business without investing directly into lots of small companies. Hardly an intelligent option for anyone that values liquidity.

Secondly Our diversification means that we can add a construction company, a luxury travel company and an engineering company all in one quarter. Right there could be an extra 5-10m of EBITDA across 3 companies.

I see your diversification discount and I raise you my fast growth premium! Who else but tech companies can grow that quick? And a tech company with profits is a rare beast indeed!

Thirdly Whilst we are diversified throughout the Group, we do group our companies into industry verticals. This gives us the option, should it ever be needed to spin a vertical off into its own listing. My gut feel is that our fast growth premium will render that option obsolete but markets are funny things and it is good to have the option in our back pocket.

CASH, DIVIDENDS AND BUYBACK

As is our strategy, we will be adding many companies of substance to the Group over the coming years. As our Company gets stronger with every acquisition it also gives us the chance, at a holding level, to strengthen the balance sheet and build our cash position.

Whilst I have no intentions of making predictions on the economy, we do as a Board tend to err on the side of caution given the size of most of the businesses we own. Building and keeping a cash position in the Company is therefore both prudent and also potentially allows us to capitalise on any adversity in the marketplace. The intention though is most definitely not the hoarding of cash. Our fellow share owners are front and centre in this business and whether it is through dividends or share buybacks in the event we feel our stock is undervalued, we do have every intention of distributing excess cash back to you, the owner of MBH.

FORECASTS, GUIDANCE AND TIME HORIZONS

Our time horizons are long. Very long. It may reak of hubris to discuss MBH as a multi-generational business whilst still in its first year as a PLC but you can be sure that behind the scenes we are very much focused on the long term. du Boulay Contracts, the first acquisition we did after stock market listing, was founded in 1974, a year before I was born. Whether it, or I, will still be around in another 45 years is anybody's guess but our decision to acquire it was based on a belief that it could well be.

MBH does not need to be right about every acquisition it makes, just to provide an environment, an ecosystem, that attracts and nurtures good companies. Like any ecosystem, some cells within it will thrive and others will not. Permanence is an illusion in this world, but endurability, we believe, is both feasible and a desirable outcome to strive for.

This approach of thinking about creating value for the long term is not just ours, we find it in all the Principals that wish to join MBH. Their companies are typically a decade or older and they have built their success by being able to imagine a brighter future at some point many years down the line.

We seek this maturity from those that wish to own our stock too. Volatility is a bi product of the public markets. I do not pretend to know, nor do I care, the motivations of each and every buyer and seller of our stock. So don't ask me. But more importantly it is no reflection on the underlying businesses and our Principals understand this. We are lucky, that many of the investors I meet also share these long term views. It seems sadly rare in the finance world and increasingly rare in entrepreneurship. Many of today's startup founders share more in common with traders. Price has sadly replaced value. What price can they raise seed money? What is the 'A' round worth? How quickly can they exit?

This is not ownership, this is not about creating value for your clients and your community, it is trading, pure and simple. I'm not passing judgement on this (well, maybe a little bit...), but it is definitely not the game we are playing. Nor the players we wish to play with.

Patience and a long-term horizon doesn't mean we are not committed to fast growth and great results. 15-20 acquisitions in 12 months is considered fast growth by most, but we will not over expand for the sake of it, nor do we want our subsidiaries to feel they need to. Over expansion is the most common nail in the coffin for small businesses. Growth for a subsidiary is rarely accompanied by growth in profits. Quite the opposite in fact. Yet for MBH growth through acquisition leads to exponential growth in profits. Failure to do acquisitions condemns us to incremental profits at best. This is understood at every level of the business and the Board must be held to account to achieve this.

SHAREHOLDER COMMUNICATION

With the fast pace of acquisitions, it is my belief that you deserve to be kept abreast with what is happening at MBH. Within the confines of what we are allowed to say I will endeavour to keep you updated with our progress. If you are not on our monthly newsletter than I would encourage you to sign up on our website. It will let you know what the companies in our Group are doing as well as new acquisitions and any updates from our adventures along the way.

As well as frequent video calls to discuss our acquisitions and our numbers twice a year, we are planning on holding an annual event for our shareholders where there will be a chance to meet some of the fantastic key people within MBH. Again, the newsletter is the best way to learn about such opportunities.

Our stock is unique, our model is entrepreneurial. It doesn't suit everyone. Our job is not to convince the doubters, our job is just to prove the believers right. Thank you for your belief and for owning MBH, I am confident it will be a fascinating, uplifting and exciting ride!

Callum Laing

3RD MAY 2019

BOARD OF DIRECTORS

CALLUM LAING
NON-EXECUTIVE CHAIRMAN

Callum has more than two decades of experience in starting, building, buying, and selling over half a dozen businesses in a range of sectors, including recruitment, sport and lifestyle, information technology, and telecommunications. He has published two best-selling books on business, has interviewed and published more than 800 interviews with entrepreneurs and sits as High Commissioner to the World Business Angel Investor Forum in Singapore.

ALLAN PRESLAND
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Allan is the founder and CEO of Parenta, as well as the founder and CEO of Lara Group. He holds an MBA from Oxford Business School, a bachelor's degree from the University of Reading in Building Services Engineering and Management, a diploma in marketing from the Institute of Marketing, and is a member of both the Chartered Institute of Marketing and the Institute of Directors. Allan is an active member of the Vistage CEO Private advisory group, was the winner of the 2014 Key Person of Influence "Pitchfest" competition which requires CEOs to pitch an idea to 6 influential judges in front on an audience of over 200 people and is on many early years committees including HMRC's tax-free childcare implementation committee. He is also part of the leadership team of the lobby group 'Champagne Nurseries on Lemonade Funding' (18,000 members) which seeks fairer funding for the childcare sector and regularly attends the palace of Westminster lobbying Government MPs and Shadow MPs on this issue.

VICTOR TAN
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Victor is a member of the Institute of Chartered Accountants in Australia since 2004. Victor has experience in finance, accounting, corporate strategy and mergers and acquisitions spanning across Australia, Asia and the United Kingdom. He commenced his profession in mid tier and Big 4 accounting firms and has held a number of senior positions in small to top 25 Australian Stock Exchange listed companies.

DAVID HALLAM
NON-EXECUTIVE DIRECTOR

David is a business executive with more than 30 years' experience who built his own business in the IT sector, and sold it into a global FTSE business in 2010. He has built and advised on strategic direction for many organisations (listed and privately owned) in many sectors whilst working as a consultant and helped build new services and products bringing them successfully to market. David has been involved in many business acquisitions and helped smaller businesses go to market for sale.

TOBY STREET
NON-EXECUTIVE DIRECTOR

Toby has extensive experience in leading businesses to grow sustainably, structuring joint ventures and strategic collaboration, as well as investing for private equity. He also advises owners on how to build their assets, create and leverage strategic alliances, as well as expand and grow their businesses.

THE DIRECTORS' REPORT 31 DECEMBER 2018

The Directors present their report together with the consolidated financial statements of the consolidated Group, comprising of MBH Corporation plc ("the Company") and its subsidiaries (collectively referred to as "the Group" or "MBH") for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The total profit for the year amounted to £1,246,000 after tax. We note that the profit after tax represents acquisitions that were completed during the year (refer note 21 for acquisition dates). The Directors have not recommended a dividend.

DIRECTORS

The Directors who served the Company during the year were as follows:

Callum Arthur Michael Laing
Allan Michael Presland - Appointed 7 March 2018
Victor Wei-Nam Tan - Appointed 16 February 2018
David Hallam - Appointed 7 March 2018
Toby David Street

STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the Company has chosen to set out in the Company's Strategic Report the information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

FINANCIAL INSTRUMENTS

The Group's principle financial instruments comprise bank balances, trade and other payables and trade and other receivables, loans and borrowings. The main purpose of these instruments is to provide funds to finance the Group's operations and activities. The main risks arising from the financial instruments are credit risk, liquidity risk and market risk. Further details of the principle risks facing the Group are included in the Strategic Report.

GOING CONCERN

The Group has considerable financial resources, together with committed contracts with numerous customers and suppliers across different geographic areas and market sectors. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertainties in the global economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group and parent company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

AUDITOR

A resolution to re-appoint Barnes Roffe as auditor will be proposed at the Annual General Meeting on 29 May 2019.

In so far as the Directors are aware:

· There is no relevant audit information of which the Company's auditor is unaware; and

· The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the Directors

Callum Laing

Callum Laing
Non-Executive Chairman
MBH Corporation plc

Approved by the Directors on 3 May 2019

DIRECTORS' RESPONSIBILITY STATEMENT 31 DECEMBER 2018

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) with applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with
- IFRSs as adopted by the EU;
- For the parent company financial statements, state whether 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 appropriate to presume that the Group and parent company will continue in business.

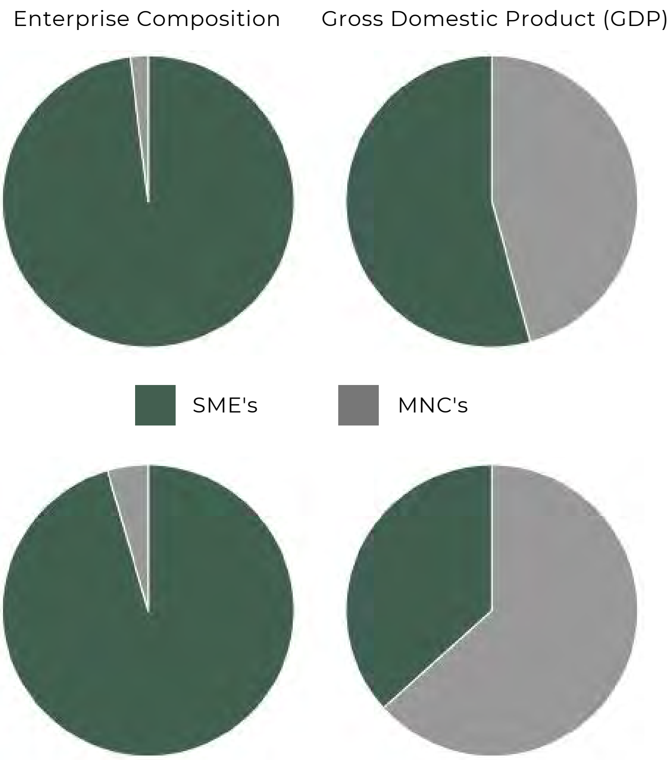
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The consolidated financial statements incorporate the financial statements of MBH Corporation plc ('the Company') and all of the entities controlled by the Company, its subsidiaries (together 'the Group') as at 31 December 2018.

GROUP STRATEGIC REPORT

31 December 2018



SMEs make up **99.8%** of total enterprises and **67%** of jobs in Europe.
*European Commission, 2014/2015, Annual Report on European SMEs

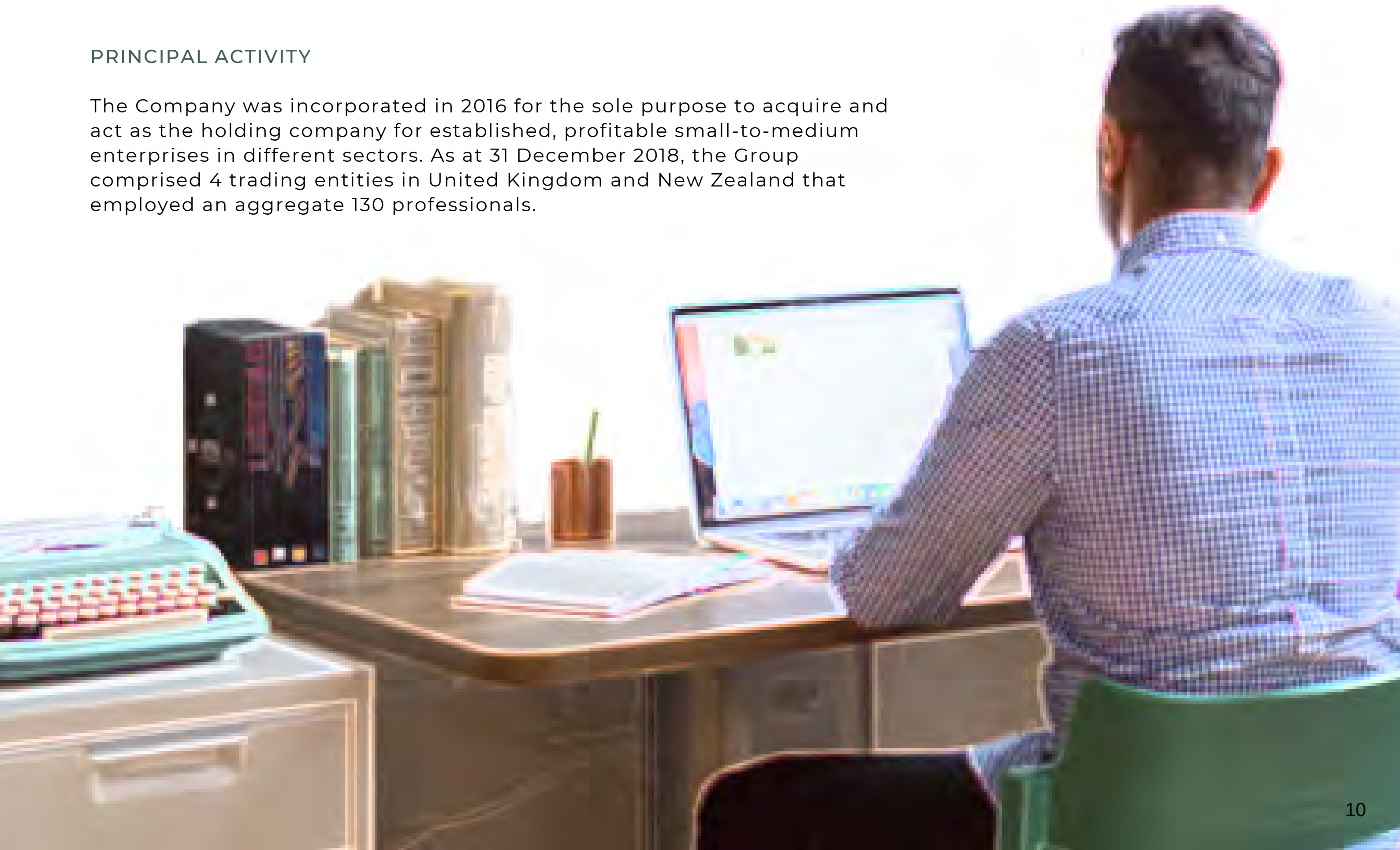
SMEs make up **97%** of total enterprises and **30%** of jobs
*Ministry of business, innovation and employment, 2014, New Zealand, The Small Business Sector Report

MARKET DEVELOPMENT

Small and medium-sized enterprises (SMEs) are the backbone of Europe's economy. They represent **99%** of all businesses in the EU. In the past five years, they have created around **85%** of new jobs and provided two-thirds of the total private sector employment in the EU. The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation, and social integration in the EU.

PRINCIPAL ACTIVITY

The Company was incorporated in 2016 for the sole purpose to acquire and act as the holding company for established, profitable small-to-medium enterprises in different sectors. As at 31 December 2018, the Group comprised 4 trading entities in United Kingdom and New Zealand that employed an aggregate 130 professionals.



REVIEW OF THE GROUP'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2018

As this is the first year of reporting financial figures, the statutory financial results only reflects the performance of the Company from 1 September 2018 to 31 December 2018. As such the review below provides a snapshot of the operating performances of the sectors of the Company based on year on year comparative basis.

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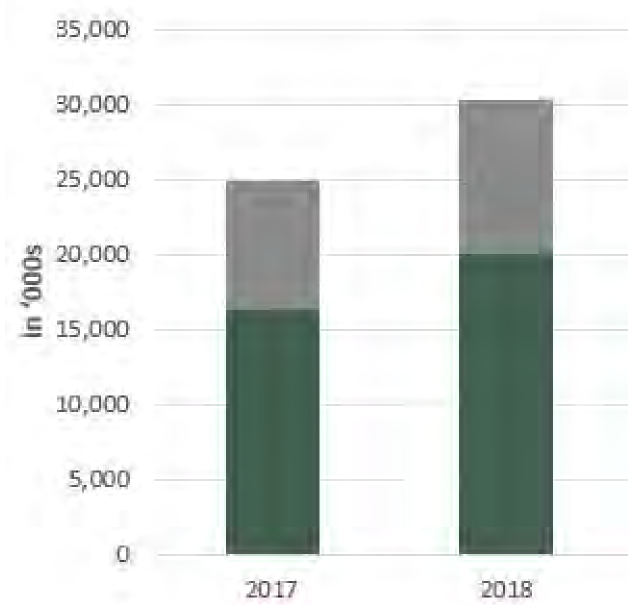
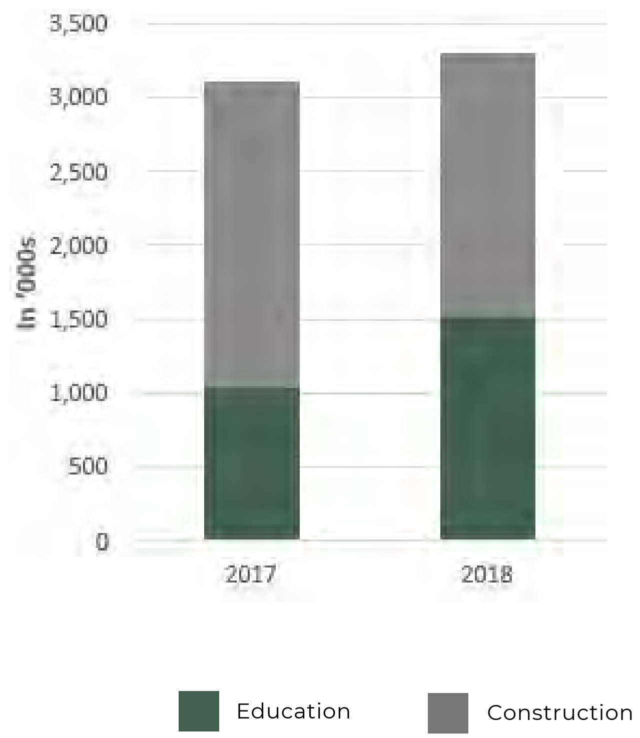
REVENUES

The three original founding companies showed sustainable growth in revenue from both the Construction Services and Education sectors. Top line revenue of the Group has grown by approximately 22% (education sector up 19.8% on 2017 and construction services sector up 23.5% on 2017).



EARNINGS

EBITDA from our portfolio companies has increased by 6% from 2017 to 2018 which is driven by the increase in revenue. Profit after tax is down 4%, mainly due to New Zealand's higher corporate tax rate.



CASH & FINANCIAL POSITION

As at 31 December 2018, the Group has £1.5m in cash reserves. Cash flow from operating activities for the year was £0.8m. Capital expenditure for the year was £0.4m which was spent on software development for the Education sector. Total cash inflow for the year was £1.2m.

The Group's net debt position is £1.7m which includes a convertible note of £0.74m which is convertible at €1.20 per share.

Net assets of the Group are £28.3m. Net current assets are (£0.05m) which includes a current contingent consideration payable by way of an issue of shares of £3m

The net current assets position excluding the current contingent consideration is £2.9m.

FINANCIAL KEY PERFORMANCE INDICATORS (KPIS)

The key financial metric that the Board assesses itself on is earnings per share (“EPS”). The Board endeavours to continue increasing shareholder value and returns. The Board will endeavour to grow EPS organically from our portfolio companies and growth through EPS accretive acquisitions.

STRENGTHS & COMPETITIVE ADVANTAGE

The Group embraces a number of principles which the directors believe provide competitive advantage.

The Group is committed to maintaining the entrepreneurial spirit and unique culture of the businesses we acquire. So much of a company’s value is wrapped up in its people and its unique idiosyncrasies - it is vital to preserve winning teams, and those special somethings, that made the company so attractive in the first place.

The Group’s flat structure and nimble approach means that decisions can be made quickly based on changes to market conditions or client demands.

The Group is highly diversified across service offering, geography and sector vertical. As further acquisitions continue, this diversification will increase. One of the benefits of maintaining individual company autonomy is that each business is its own profit and cost centre and thus risk is hived down to that level.

SIGNIFICANT RISKS AND UNCERTAINTIES

The management of risk is the responsibility of the Board of Directors who have carried out a robust assessment of the potential risks facing the Group. The Group’s principle operating risks and uncertainties are set out below.

MACRO-ECONOMIC CONDITIONS

Catastrophic events, terrorist attacks or acts of war may lead to an abrupt interruption of business activities and the Group may be subject to losses resulting from such disruptions. If the business continuity plans of the Group are not available or inadequate, losses may increase further. In addition, such events and the responses to those events may create economic and political uncertainties which could have an unanticipated adverse impact on the markets in which the Group operates and on the operations of the Group.

SMALLER BUSINESSES HAVE LESS MARGIN FOR ERROR

In general, small businesses have less margin for error. This includes loss of key clients or key employees. As a consequence, a single event may have a material impact of the particular company's financial results for the year.

LOSS OF TALENT

The success of the Group's business depends upon the personal reputation, judgment, integrity, business generation capabilities and project execution skills of the business owners. The Principals personal reputations and relationships with their clients are often a critical element in obtaining and maintaining client engagements.

Accordingly, the retention of our Principals, is particularly crucial to our future success. Although the Principals have entered into an Employment agreement with the Group, the restriction period in many of the agreements does not exceed 2 years, and there is no guarantee that these will be adhered to.

FUTURE DEVELOPMENTS

DRIVING ORGANIC GROWTH

The companies acquired by the Group have excellent growth prospects. Providing a PLC environment enables them to flourish and grow their business organically

GLOBAL CLIENT ENGAGEMENTS

The Group has a forward-looking strategy that provides global opportunities. The subsidiaries of the Group can rely on support from MBH, whether in the form of providing the ability to carry out share acquisitions globally, to set up new locations, or in the form of networking connections and leveraging off the other knowledge from their overseas counterparts.

ACQUISITION STRATEGY

The Group continues to identify and acquire additional high-quality companies with talented entrepreneurs, in the US$1m- US$5m EBITDA range.

DIVIDENDS

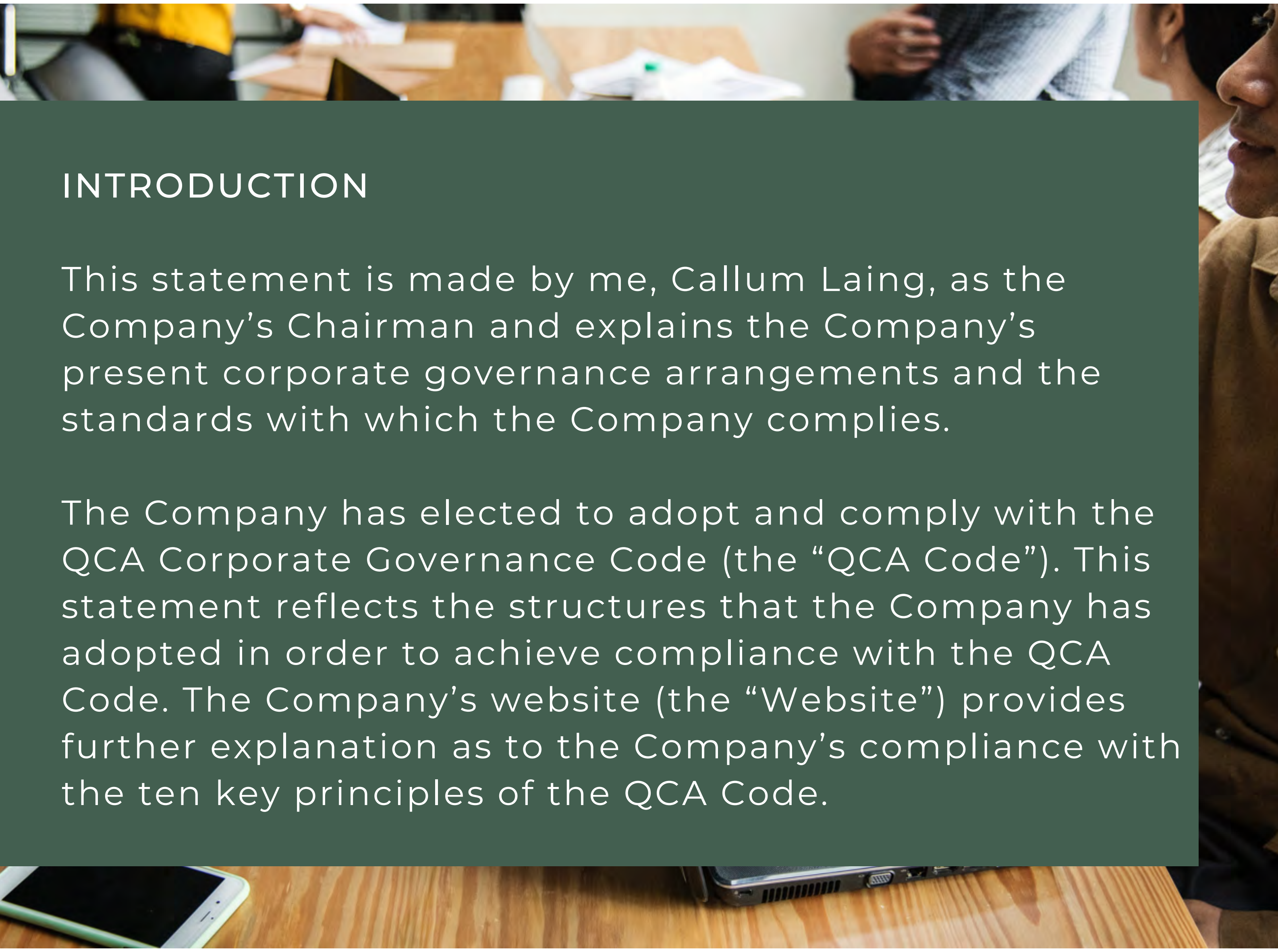
The Board of Directors have taken the view that the flexibility and opportunities offered by a larger capital base can compound the creation of shareholder value in future years. As such, it has decided against the distribution of dividends from the Group's first year of operations. That said, the Board is committed to the return of profits to shareholders through a distribution or share buybacks and will aim to do either in the future.

Callum Laing

Callum Laing
Non-executive Chairman
MBH Corporation plc

Approved by the Directors on 3 May 2019

CORPORATE GOVERNANCE STATEMENT



INTRODUCTION

This statement is made by me, Callum Laing, as the Company's Chairman and explains the Company's present corporate governance arrangements and the standards with which the Company complies.

The Company has elected to adopt and comply with the QCA Corporate Governance Code (the "QCA Code"). This statement reflects the structures that the Company has adopted in order to achieve compliance with the QCA Code. The Company's website (the "Website") provides further explanation as to the Company's compliance with the ten key principles of the QCA Code.

THE BOARD OF DIRECTORS

The Company (and thereby its group (the "Group")) is ultimately managed by the directors of the Company (the "Directors"), who (individually and as a group) are responsible for running the Company for the benefit of its shareholders in accordance with their fiduciary and statutory duties.

The Board of Directors (the "Board") currently comprises five Directors: three Non-Executive Directors, and two Executive Directors (being the CEO and the CFO). The Board has two standing committees (the "Committees"): the Audit Committee, the Nomination and Remuneration Committee

Our directors' skills and experience, together with their wide range of backgrounds, help them constructively challenge our portfolio Company's management, set the Group's strategy and oversee its performance.

QCA CODE PRINCIPLES

01

ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG-TERM VALUE FOR SHAREHOLDERS.

MBH Corporation PLC uses the agglomeration model as its primary strategy for growth. The agglomeration model enables private companies to swap their privately held shares for shares in company.

The Board believe the agglomeration model offers a sound route to long-term value for shareholders, and as such continue to focus their primary attention on:

a) Identifying quality companies with strong leaders that are highly profitable, self-funding (i.e. do not require further capital) and primed for growth;

b) acquiring these companies, usually in a share-for-share exchange, but always in an earnings-per-share accretive manner;
providing the corporate governance tools, resources and infrastructure for the acquired companies to grow;

c) strongly incentivising the management of acquired companies to improve their financial results and organic growth; and

d) providing financial systems and business process optimisation to support the acquired companies.

The Board believes that identifying companies in different sectors, different geographies and with different currencies acts to de-risk the Group as a whole.

02

SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Board recognises that, today, the majority of the stock is held by the Principals of the companies the Company has acquired. As such, both the Chairman, CEO and CFO engage with the principles on a very regular basis. As part of these exchanges, shareholder needs are captured, and fed back.

That said, the Board also recognises that as liquidity increases, through Principals divesting some of their stock and as new institutional and retail investors come in, it will become increasingly difficult to engage on a one-to-one basis with shareholders.

To this end the Board produces its report annually, and provides investors an opportunity to meet with the Board at the AGM. Additionally however, the company produces a monthly newsletter which showcases the successes of the subsidiary companies and introduces key personnel. This newsletter is distributed to all shareholders who register on the company's website as well as the Principals themselves.

03

TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THE IMPLICATIONS FOR LONG TERM SUCCESS

The Agglomeration model allows for MBH Corporation Plc to focus on its customers, the shareholders of the Group, whilst each company within the Group operates entirely autonomously, subject to Corporate and Financial Governance.

Accordingly, the stakeholders of each individual company are managed by, and serviced by the Governance policies of those companies. That said, a key component of agglomeration is for companies within the Group to share best practice which allows other companies within the Group to learn from the stakeholder management systems of their sister companies, irrespective of sector or geography.

Most importantly however, by sharing the results of best practice, companies can feedback to both the Board and the peer Principals on progress and how it affects their operations.

04

EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANIZATION

A key tenant of the Agglomeration strategy, is to maintain each acquired company as an autonomous entity. As such, an issue in a single company does not cause contagion within the rest of the Group. None the less, the Board review a risk register driven from financial data every month, considering the financial health of the businesses both individually and collectively. Issues of concern are then raised with the Principal of the individual company.Individually, each company keeps its own risk register and records threats and weaknesses as required. Given the very strong incentives though to achieve improved results the Board consider that the individual Principals are best placed to seek and find market opportunities, whilst the Board focuses on finding additional highly profitable, debt free companies with strong leaders to add to the MBH portfolio.

05

MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The main Board consists of a non-executive chairman, two executive directors, and two non-executive directors. Each member of the Board is an established and experienced senior leader with expertise in their own right. One member of the Board (currently the CEO) represents the Principals on the Board. The structure of the Board is reviewed annually and changes are recommended to shareholders at the AGM.

The Board receives a quality information pack in advance of every formal meeting. Meetings are held at least monthly. The Board is supported by several committees (Audit, remuneration and nomination) who meet as necessary,

In addition, a board consisting of the Principals, as the primary shareholders of the company, meets in an informal manner, on an ad-hoc basis. This board holds the main Board to account.

06

ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES.

The Board consists of 5 directors with varying sector experience. Details of the Board members are contained in this Annual Report.

07

EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

The effectiveness of the Board is vital to the success of the company.

Consequently, the Board considers the evaluation of its collective, and individual performance as fundamental in establishing a culture of accountability and transparency. To this end, it's the Board's intent that each member of the Board's performance will be reviewed annually. Given that the company has been listed for less than 5 months, this will next be performed in advance of the 2020 AGM. The board does consider however, that given the company is in a period of considerable growth, a small and agile team is best suited at this time.

However, the Board structure is continuously evaluated by a sub-committee and changes and amendments recommended where thought necessary.

In addition to reviewing performance, the Board also reviews annually how directors maintain their skill and knowledge necessary to meet their obligations.

08

PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The company has a clear value set which defines how it wishes to operate. The Board embrace the value set and work to ensure that all meetings and all decisions are made in line with the value set. Given that the companies with the Group are all run autonomously, they each have their own value set which they abide by.

09

MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION MAKING BY THE BOARD.

The Board have reviewed these principles and have concluded they are fit for purpose for the company considering how recently it has listed and the current market cap. Key controls in place include:

a. monthly financial reporting;
b. delegated expenditure authority limits imposed across the whole Group;
c. legal declarations from the directors of each company which confirms that each subsidiary is solvent;
d. independent review of agreements or contracts that are material for the Group;
e. securities trading policy;
f. continuous disclosure policy;
g. code of conduct;
h. principals charter and
i. board charter.

Given the Board's very ambitious growth plans the Board also consider that the governance structure and process will need frequent review. As such the Board have decreed that these Governance rules will be reviewed on the anniversary of listing and/or on reaching a market cap of £ 100m, whichever comes sooner.

The Board is supported by two committees, namely the Audit and Nomination and Remuneration Committee.

10

COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS.

The Board values the views of all its shareholders. It also acknowledges their interest in the company's strategy and success.

The board communicates to stakeholders through its annual and half-yearly report, through its website and newsletter, through frequent IR releases and through briefings given to analysts and institutional investors.

AUDIT COMMITTEE

The key responsibilities of the audit committee are as follows:

- effective governance over the appropriateness of the Group's financial reporting, including adequacy of related disclosures;
- oversight of the Group's system of internal control, including risk management;
- oversight of the work and findings of external audit; and
- review the effectiveness of processes for Compliance with laws, regulations and ethical code of practice.

The committee acts independently of the executive directors and all its members are non-executive directors of the Company. Mr David Hallam and Mr Toby Street sit on the audit committee.

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

The committee:

- reviewed the 2018 Annual report;
- reviewed the results announcement;
- considered the quality and appropriateness of accounting policies and practices and critical accounting estimates and key judgements;
- assessed whether the 2018 Annual Report, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- considered and approved the audit plan and scope of work; and
- considered and approved the letter of representation.

NOMINATION AND REMUNERATION COMMITTEE

The key responsibilities of the nomination and remuneration committee are as follows:

- lead the appointment process for new directors and make recommendations to the Board;
- ensure the Board and committee members have the right balance of skills, experience, diversity, independence and knowledge to effectively discharge their duties; and
- ensure the Board is appropriately remunerated to discharge their duties.

Mr David Hallam, Mr Callum Laing and Mr Allan Presland sit on the Nomination and remuneration Committee.

The committee has met 5 times this year.

MR CALLUM LAING
MR ALLAN PRESLAND
MR DAVID HALLAM

MR DAVID HALLAM
MR TOBY STREET

CHAIRMAN

Callum Laing

Skills and experience: Joined MBH as Non-Exec Chairman in 2017 bringing more than two decades of experience in starting, building, buying, and selling businesses. Callum is also a Partner at Unity Group and pioneer of the Agglomeration model. Callum has published two business bestsellers and more than 800 business interviews and holds is position as Commissioner World Business Angel Investor Forum in Singapore

Other Appointments: Corsora Ltd, Algatron Ltd, Daytrum Ltd

EXECUTIVE DIRECTORS

Allan Presland
Chief Executive Officer

Appointed: 7 March 2018

Skills and experience: Joined MBH as CEO in 2018 and is the Founder of Parenta Group, the UK's largest provider of vocational training and software systems to the Early Year's education sector. He is also the author of the Amazon bestselling book "Improving the business of Childcare", and founder of the charity Parenta Trust which builds schools for orphan and disadvantaged children in Africa.

Other Appointments: Allan is a director of the following companies:

- Parenta Group Ltd
- Parenta Training Ltd
- Parenta Holdings Ltd
- Parenta Ltd
- Lara Group PLC
- Uovo Group PLC
- Amplify Investments Ltd
- Hex Investments Ltd
- Parenta Trust
- Parenta Partners LLP

Victor Tan
Chief Financial Officer

Appointed: 16 February 2018

Skills and experience: Victor is a member of the Institute of Chartered Accountants in Australia since 2004. Victor has experience in finance, accounting, corporate strategy and mergers and acquisitions spanning across Australia, Asia and the United Kingdom. He commenced his profession in mid tier and Big 4 accounting firms and has held a number of senior positions in small to top 25 Australian Stock Exchange listed companies.

NON-EXECUTIVE DIRECTORS

David Hallam

Appointed: 7 March 2018

Skills and experience: David is a business executive, entrepreneur and investor with 30 years+ experience who built his own business in the IT sector and sold it for many millions into a global FTSE business in 2010. David has helped the group grow from £70 million market cap to £1 billion market cap business. He's been involved in many business acquisitions.

He's identified the requirements needed to help small and medium size businesses grow into larger organisations and the value he delivers into these businesses at board and executive level is focused on these specific requirements. He has built and advised on strategic direction for many organisations, (listed and privately owned) in many industry sectors and been responsible for building new services and products bringing them successfully into the new and emerging market places.

David has also helped smaller businesses go to market for sale in an advisory capacity or as Non-Executive Director.

Other Appointments: Lara Group PLC

Toby Street

Skills and experience: Joined MBH as as Non-Exec Director in 2018 an has been a previous business owner of digital marketing agency in London, listed on the Nasdaq Stockholm stock exchange. Other experience includes working at renowned real estate & private equity company Mayfair, London, advising high net worth individuals on investment.
.
Other Appointments: Street Assets Limited, Corsora Ltd, Algatron Ltd, Daytrum Ltd, Defelet PLC, Uovo PLC, Becoming Group PLC

TIME COMMITMENT OF DIRECTORS

The Executive Directors devote any time necessary to the role as required. Non-Executive Directors attend Board meetings and they are also required to attend committee meetings as an when required by the Board.

FREQUENCY OF MEETINGS

The Board meets at least once every two months and relevant information is distributed to Directors in advance of the meetings.

The Group does not have a formal schedule of matters reserved to the Board but does maintain a delegated authority framework which is periodically reviewed and approved by the Board. Save for those matters delegated, the Board makes decisions on all material matters including strategy, annual operating and capital budgets, capital structure and financial and internal controls.

Director's attendance at Board and Committee meetings during the year was as follows:

	Board Meetings		Audit Committee		Nomination and Remuneration Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Callum Laing	10	10	-	-	5	5
Allan Presland	10	10	-	-	5	3
Victor Tan	10	10	1	1	-	-
David Hallam	10	9	1	1	5	5
Toby Street	10	9	1	1	-	-

EVALUATING BOARD PERFORMANCE

The Board has a number of sources of information from which it judges its own performance and that of the individual Directors, these include but are not limited to:

a. financial performance indicators including revenue, gross margin, net margin, earnings per share and cash flow;

b. the Company's share price;

c. reports from external auditors; shareholder feedback;

d. formal and informal reviews of its effectiveness by the Company's nominated adviser; and

e. employee feedback.

All these factors are considered and action taken to improve performance as appropriate.

The Board will formally evaluate its own performance (whether itself, through its retained advisers, or by engaging external consultants) not less than once a year. A Board performance evaluation is due to take place in advance of the AGM in 2020.

Directors have access to professional courses where appropriate. Non-Executive Directors ensure they keep current with appropriate regulations and Board-appropriate websites and current affairs.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MBH CORPORATION PLC

31 December 2018

OPINION

We have audited the financial statements of MBH Corporation Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2018, which comprise the Group statement of comprehensive income, the Group and Company statements of financial position, the Group statement of cash flows, the Group and Company statements of changes in equity and the related notes, including a summary of the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards, including International Financial Reporting Standards as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

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

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

RESPONSIBILITIES OF THE DIRECTORS

As more fully explained in the directors' responsibilities statement on page 7, 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 the 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 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditors' report.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mario Cientanni (Senior Statutory Auditor)
For and on behalf of
Barnes Roffe LLP
Chartered Accountants and Statutory Auditors
Charles Lake House
Claire Causeway
Crossways Business Park
Dartford
Kent
DA2 6QA

Date: 3rd May 2019

MBH CORPORATION PLC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP

Year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue from contracts with customers	5	12,511	-
Cost of sales		(8,672)	-
Gross profit		**3,839**	-
Administrative expenses		(2,280)	(*)
Finance costs, net	6	(20)	-
Operating profit		**1,539**	(*)
Non-operating expenses		(121)	-
Profit before income tax		**1,418**	(*)
Income tax expense	7	(172)	-
Profit for the period	8	**1,246**	(*)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations		7	-
Other comprehensive income for the period, net of tax		**7**	-
Total comprehensive income for the period		**1,253**	(*)
		£	£
Earnings per share for profit from continuing operations			
Basic earnings per share	24	12.22	(0.01)
Diluted earnings per share	24	11.21	(0.01)

* Amount is less than £1,000.

The Group had no non-controlling interests during the year. Both the profit for the period and the total comprehensive income for the period are wholly attributable to the equity holders of the Company.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

MBH CORPORATION PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	246	-
Intangible assets	10	2,797	222
Goodwill	12	29,700	-
Investment	14	2	-
Total non-current assets		32,745	222
Current assets			
Cash and cash equivalents	13	1,523	-
Trade and other receivables	14	8,270	-
Total current assets		9,793	-
Total assets		42,538	222
LIABILITIES			
Non-current liabilities			
Loan and other borrowings	15	484	-
Contingent consideration	16	3,838	-
Deferred tax liabilities	17	10	-
Total non-current liabilities		4,332	-
Current liabilities			
Loan and other borrowings	15	1,218	*
Contingent consideration	16	2,988	-
Contract liabilities	18	622	-
Trade and other payables	19	4,620	-
Current tax liabilities		403	-
Total current liabilities		9,851	-
Total liabilities		14,183	-
Net assets		28,355	-

MBH CORPORATION PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
EQUITY			
Share capital and share premium	20	27,039	222
Other reserves	15	63	-
Translation reserve		7	-
Retained earnings		1,246	(*)
Total equity		**28,355**	222

* Amount less than £1,000.

These financial statements were approved by the Directors and authorised for issue on 3 May 2019, and were signed on their behalf by:

Callum Laing
Non-Executive Chairman
MBH Corporation plc

Company Registration Number: 10238873

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

	Note	Share capital and premium £'000	Other reserves £'000	Translation reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017		*	-	-	-	*
Profit for the period		-	-	-	*	*
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	*	*
Transactions with owners in their capacity as owners						
Issue of ordinary shares		222	-	-	-	222
Total contributions by owners		222	-	-	-	222
Balance at 31 December 2017		222	-	-	*	222
Profit for the period		-	-	-	1,246	1,246
Other comprehensive income		-	-	7	-	7
Total comprehensive income for the year		-	-	7	1,246	1,253
Transactions with owners in their capacity as owners						
Issue of ordinary shares as consideration for a business combination		25,853	-	-	-	25,853
Issue of ordinary shares		500	-	-	-	500
Credit to equity for equity-settled share-based payments		305	-	-	-	305
Issue of convertible bonds		-	63	-	-	63
Conversion of convertible notes		159	-	-	-	159
		26,817	63	-	-	26,880
Balance at 31 December 2018		27,039	63	7	1,246	28,355

* Amount less than £1,000.

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

MBH CORPORATION PLC
STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Operating activities			
Profit before income tax		1,418	(*)
Adjustments for:			
Interest income		(1)	-
Interest expense		21	-
Depreciation of plant and equipment		34	-
Amortisation of intangible assets		187	-
Amortisation of transaction costs		18	-
Acquisition related expenses		121	-
Share-based payments expense		305	-
Operating cash flows before movements in working capital		**2,103**	(*)
Increase in trade and other receivables		(1,380)	-
Decrease in trade and other payables		(82)	-
Increase in contract liabilities		189	-
Cash generated by operations		**830**	-
Income tax paid		(53)	-
Net cash from/(used in) operating activities		**777**	(*)
Investing activities			
Interest received		1	-
Purchase of plant and equipment		(51)	-
Addition to intangible assets		(384)	-
Acquisition of subsidiaries, net of cash acquired		(3)	-
Net cash (used in)/from investing activities		**(437)**	-
Financing activities			
Interest paid		(21)	-
Repayments of bank loan		(44)	-
Proceeds from issue of convertible note		976	-
Transaction costs related to loans and borrowings		(89)	-
Net cash from financing activities		**822**	-
Net increase/(decrease) in cash and cash equivalents		**1,162**	(*)
Cash and cash equivalents at beginning of year		(*)	-
Effect if foreign exchange rate charges		13	-
Cash and cash equivalents at end of year (note 13)		**1,175**	(*)

* Amount less than £1,000.

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

1. GENERAL INFORMATION

MBH Corporation plc ("the Company") is a public limited company domiciled and incorporated in the United Kingdom (Company Registration Number 10238873). The registered office address is 7 Royal Victoria Patriotic Building, John Archer Way, London SW18 3SX, United Kingdom.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in note 21.

These financial statements are presented in British Pounds.

2. ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS standards that are effective for the current year

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. There is no impact on the Group's consolidated financial statements as the Company was an investment holding company until 22 August 2018.

Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:
1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:
(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the consolidated financial statements.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018.

- IFRS 2 (amendments) *Classification and Measurement of Share-based Payment Transactions*
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 16 *Leases*
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle *Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*
- IFRS 10 *Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

IFRS 16 *Leases*

General impact of application of IFRS 16 Leases IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

The Group has chosen the full retrospective application of IFRS 16 in accordance with IFRS 16:C5(a). Consequently, the Group will restate the comparative information.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

<u>Impact of the new definition of a lease</u>

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

– The right to obtain substantially all of the economic benefits from the use of an identified asset; and
– The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

<u>Impact on Lessee Accounting</u>

Operating leases
IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:
a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of £945,000.

A preliminary assessment indicates that £935,000 of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognise a right-of-use asset of £864,000 and a corresponding lease liability of £864,000 in respect of all these leases. The impact on profit or loss is to decrease Other expenses by £337,000, to increase depreciation by £296,000 and to increase interest expense by £71,000.

The preliminary assessment indicates that £10,000 of these arrangements relate to short-term leases and leases of low-value assets.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by £296,000 and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities. Based on an analysis of the Group's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*

The Annual Improvements include amendments to following Standards.

IAS 12 *Income Taxes*
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 *Borrowing Costs*
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 *Business Combinations*
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* and IAS 28 *(amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

3. ACCOUNTING POLICIES

a) Statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and interpretations issued by the IFRS Interpretation issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting in IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

b) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

The principal accounting policies adopted are set out below.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The acquisition method of accounting is used to account for business combinations by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-Based Payments* at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

e) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

f) Revenue recognition

The Group recognises revenue from the following major sources:

Software cloud provider

The Group provides cloud-based software solutions to the nursery sector. Revenue is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefit simultaneously.

Some contracts include multiple deliverables, such as nursery management software, child progress tracking software. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contact asset is recognised. Of the payments exceed the services rendered, a contract liability is recognised.

Vocation training provider
Revenue from course fees is recognised over the duration of the course. Revenue that is recognised but yet to be billed is included in contract asset.

The Group charges non-refundable registration fees to new apprentices who register with the Group. Registration fees revenue is recognised when the application is accepted.

Property services

The Group is engaged to provide property related services such as commercial office fit outs, commercial building refurbishment, shop fitting and seismic upgrades. Under the terms of the contracts, the Group has an enforceable right to payment for work done. Revenue from commercial refurbishment is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

The Group becomes entitled to invoice customers for property services rendered based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost–to–cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue under the cost–to–cost method and the milestone payment is always less than one year.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line

basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

h) Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

j) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

k) Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best

estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

l) Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services for rental to others (excluding investment properties), or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

- Leasehold property 10% – 25% per annum
- Office equipment, fixtures and fittings 10% – 25% per annum
- Motor vehicles 20% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

m) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

n) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no

longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance cost, net – interest income" line item (note 6).

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item (note 6) in profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see notes 2 and 25).

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (ii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 25.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity reserve. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to other equity reserve. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or
- investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note 25.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

p) Share-based payments

Share-based payment transactions of the Company Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a) Impairment of non-financial assets

In accordance with the Group's accounting policy, the carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The goodwill impairment review was undertaken in December 2018. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate depending on geographical location of between 8.50% and 9.25%, management forecasts for a projection period of up to five years including an assumed improvement in operating margins, followed by an assumed annual long-term growth rate of 5.0%. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

The goodwill impairment review concluded that no impairment charge was required as the carrying amount did not exceed the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use.

Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. The key assumptions take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

b) Calculation of loss allowance

When measuring expected credit loss (ECL) the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on trade receivables between 61 and 90 days past due had been 10% higher (lower) as of December 2018, the loss allowance on trade receivables would have been £20,000 (2017: nil) higher (lower).

If the ECL rates on trade receivables between 31 and 60 days past due had been 5% higher (lower) as of December 2018, the loss allowance on trade receivables would have been £2,000 (2017: nil) higher (lower).

c) Useful life of internally generated software development cost

The Group constantly develop software that is used to provide solutions to the nursery section in United Kingdom. As at 31 December 2018, the carrying amount of the internally generated software was £2,448,000 (2017: NA). The Group estimates the useful life of the software to be at least 10 years based on the expected technical useful life of such assets. However, the actual useful life may be shorter, depending on the technical innovations and competitors' actions. If it were only 5 years, the carrying amount would be £2,112,000 as at 31 December 2018.

d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was £29,700,000 (2017 : nil). No impairment loss was recognised during the financial year as the subsidiaries were acquired during the financial year.

e) Contingent consideration

In the event that the subsidiaries achieve adjusted earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA") exceeding prior year and exceeding adjusted EBITDA of base acquisition year for the next five financial years, additional consideration may be payable in shares the year upon release of results. Adjusted EBITDA represents adjustments that has been made to earnings before interest, tax, depreciation and amortisation ("EBITDA") which have been mutually agreed between the Board of Directors of MBH Corporation PLC and the original founding members of the companies within the Group.

As at 31 December 2018, the fair value of the contingent consideration of £6,826,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on discount rates of between 8.50% to 9.25%, and assumed that the subsidiaries achieved adjusted EBITDA growth of between 5% to 10%.

As at 31 December 2018, no contingent consideration has been reversed as the companies were acquired during the financial year.

5. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines and geographical locations.

	2018	2017
	£'000	£'000
Segment revenue		
United Kingdom		
Education sector		
- Course training provider	4,366	-
- Software cloud provider	437	-
- Marketing services	12	-
Property service sector		
- Commercial refurbishment	858	-
New Zealand		
Property service sector		
- Commercial refurbishment	6,838	-
Total	**12,511**	-

	2018 £'000	2017 £'000
Timing of revenue recognition		
At a point in time		
United Kingdom		
Education sector		
- Marketing services	12	-
	12	-
Over time		
United Kingdom		
Education sector		
- Course training provider	4,366	-
- Software cloud provider	437	-
Property service sector		
- Commercial refurbishment	858	-
New Zealand		
Property service sector		
- Commercial refurbishment	6,838	-
	12,499	-
Total	**12,511**	-

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2018 are as set out below. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

	2018 £'000	2017 £'000
Course training	477	-
Commercial refurbishment of buildings and office	466	-
Total	**943**	-

6. FINANCE COSTS, NET

	2018 £'000	2017 £'000
Interest income	(1)	-
Interest from bank overdraft	4	-
Interest from borrowings	17	-
Total	**20**	-

7. TAX EXPENSES

Income tax recognised in profit or loss:

	2018 £'000	2017 £'000
Current tax		
In respect of the current year	172	-
Deferred tax		
In respect of the current year	-	-
	172	-

Reconciliation of the total tax charge

The tax rate in the income statement for the period is higher than the standard rate of corporation tax in the UK of 19% (2017 : 19%). The differences are reconciled below:

	2018 £'000	2017 £'000
Accounting profit before taxation	1,418	*
Accounting profit multiplied by the UK standard rate of corporation tax of 19%	269	*
Effect of different tax rates of subsidiaries operating in other jurisdictions	39	-
Effect of income that is exempt from taxation	(245)	-
Effect of expenses that are not deductible in determining tax	109	*
Total tax charge	**172**	-

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

	2018	2017
United Kingdom	19%	19%
New Zealand	28%	28%

8. PROFIT FOR THE YEAR

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

	2018 £'000	2017 £'000
Amortisation of transaction costs for convertible notes	18	-
Amortisation of intangible assets	187	-
Depreciation of plant and equipment	34	-
Net foreign exchange losses	7	-
Salaries and wages	1,157	-
Directors' remuneration – Directors of the Company	260	-
Directors' fees – Directors of the Company	19	-
Audit fees:		
- To auditors of the Company	22	-
- To other auditors	14	-
Non-audit fees:		
- To auditors of the Company	56	-

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

	2018 No.	2017 No.
Total	130	2

9. PLANT AND EQUIPMENT

	Leasehold property £'000	Office equipment, fixtures and fittings £'000	Motor vehicle £'000	Total £'000
<u>At Cost</u>				
At 1 January and 31 December 2017	-	-	-	-
Acquired on acquisition of subsidiaries	89	117	20	226
Additions	-	24	27	51
Exchange differences	3	-	-	3
At 31 December 2018	**92**	**141**	**47**	**280**
<u>Accumulated depreciation</u>				
At 1 January and 31 December 2017	-	-	-	-
Charge for the year	(3)	(27)	(4)	(34)
Exchange differences	3	-	-	3
At 31 December 2018	**(3)**	**(27)**	**(3)**	**(33)**
<u>Carrying amount</u>				
At 31 December 2018	**89**	**114**	**44**	**247**
At 1 January and 31 December 2017	-	-	-	-

10. INTANGIBLE ASSETS

	Internally generated software development costs	Trademark and licenses	Total
	£'000	£'000	£'000
At cost			
At 1 January 2017	-	-	-
Additions	-	222	222
At 31 December 2017	-	222	222
Acquired on acquisition of subsidiaries	2,275	103	2,378
Additions	384	-	384
At 31 December 2018	2,659	325	2,984
Accumulated amortisation			
At 1 January 2017	-	-	-
Charge for the year	-	-	-
At 31 December 2017	-	-	-
Charge for the year	(162)	(25)	(187)
At 31 December 2018	(162)	(26)	(187)
Carrying amount			
At 31 December 2018	**2,497**	**300**	**2,797**
At 31 December 2017	-	222	222

Internally generated software development costs include the Group's software development system, which is created by an internal development team for the Group's specific requirements, with constant redevelopments and enhancements to its cloud-based software. The asset is carried at £2,497,000 (2017: NA) and is amortised on a straight-line basis over ten years. There are no other individually material intangible assets.

The trademark used for the know-how operations of the Company's business activities amounting to £222,000 (2017 : £222,000) is a perpetual licence to use the Agglomeration trademark and processes. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 4.

11. GOODWILL

	Group
	£'000
Cost and carrying amount	
At 1 January and 31 December 2017	-
Arising on acquisition of subsidiaries (note 21)	29,700
At 31 December 2018	**29,700**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2018	2017
	£'000	£'000
Education sector (comprised several CGUs)	13,900	-
Property service sector (comprised several CGUs)	15,800	-
	29,700	-

12. INVESTMENT

	2018	2017
	£'000	£'000
Financial assets designated at FVTOCI		
- Quoted equity investment	2	-

The Group designated the investment as investments designated at FVTOCI as these investments represent investments that the Group intends to hold for the long-term. The fair value of the Group's investment in equity investment designated at FVTOCI are estimated based on the quoted price of the investment.

13. CASH AND CASH EQUIVALENTS

	2018	2017
	£'000	£'000
Cash at bank	1,523	-
Cash in hand	*	-
	1,523	-
Bank overdraft (note 15a)	(348)	(*)
Cash and cash equivalent as per statement of consolidated cash flow	**1,175**	(*)

* Amount is less than £1,000.

14. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	3,936	-
Contract assets	2,458	-
Loss allowance	(251)	-
	6,143	-
Other debtors	1,922	-
Prepayments	205	-
	8,270	-

Non-trade amount due from connected parties are unsecured, interest-free and are repayable on demand.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Contract assets

	2018 £'000	2017 £'000
Property services contracts	633	-
Course training	1,825	-
Total contract assets	2,458	-

Amounts relating to contract assets are balances due from customers under the Group's property service sector that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Payment for course training provided by the Group's education sector is split over the course duration with 20% due on course completion and therefore a contract asset is recognised for the 20% completion fee as a function of the companies published annual completion rates.

At 31 December 2018, the carrying amount of retention monies held by customers for contract work amounted to £466,000 (2017: NA).

The following table details the risk profile of trade receivables and contract assets based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on aging profile from invoice dates is not further distinguished between the Group's different customer base.

	Trade receivables – days past due				
	Not past due	<30	31-60	61 - 90	Total
	£'000	£'000	£'000	£'000	£'000
31 December 2018					
Expected credit loss rate (%)	0	0 - 3	10 - 25	50 - 100	
Estimated total gross carrying amount at default	4,607	502	201	1,083	**6,394**
Lifetime ECL	-	(5)	(46)	(200)	**(251)**
					6,143

Loss allowance for other receivables has always been at an amount equal to lifetime expected credit losses (ECL). The ECL on other receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Management believes that there is no loss allowance required using 12-month ECL as it is not material.

15. LOAN AND OTHER BORROWINGS

		2018	2017
		£'000	£'000
Current			
Bank overdraft	(a)	348	-
Bank loan	(b)	179	-
Convertible note	(c)	691	-
		1,218	-
Non-current			
Bank loan	(b)	484	-
Total		**1,702**	-

a) Bank overdraft

Bank overdrafts are repayable on demand. Overdrafts of £348,000 have been secured by a charge over certain of the Group's assets.

b) Bank loan

A loan of £750,000 was raised on May 2018 prior to the acquisition of Lara Group plc. Repayments commenced on August 2018 on a quarterly basis and will continue until May 2022. As at acquisition date, the outstanding loan remaining was £707,000. The loan carries variable interest rate of 3.85% plus LIBOR per annum. The loan is secured by a charge over certain of the Group's properties.

c) Convertible note

	2018	2017
	£'000	£'000
At 1 January	-	-
Issuance of convertible bonds	976	-
Transaction costs paid	(89)	
Net proceeds	887	
Less: Amount classified as equity	(63)	
Less: Conversion of convertible bonds (note 20)	(159)	-
Add back: Amortisation of transaction costs	18	
Effect of change from foreign exchange rates	8	
At 31 December	691	-

In October 2018, the Company issued €1,096,000 (£976,000) principal amount of convertible bond due October 2019 with zero interest rate to the bondholder.

The convertible bonds may be redeemed, in whole or in part, at the discretion of the bondholder for a period of one year from the date of issuance at €1.20 per Company's share in accordance with the terms and conditions of the convertible bond. In the event that the convertible bond is not fully converted to the Company's shares, the amount will be payable over 24 months beginning from the first-year anniversary of the issuance of convertible bond.

During the year, £159,000 of convertible loans were converted to 148,000 shares at the conversion price of €1.20.

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

	Liabilities				
	Bank overdrafts	Borrowings	Convertible note	Equity component of convertible note	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	-	-	-	-	-
Net cash provided by financing activities					
Proceeds from issuance of convertible notes	-	-	913	63	976
Repayment of borrowings	-	(44)	-	-	(44)
Transaction costs / finance costs paid	(4)	(17)	(89)	-	(110)
Total changes from financing cash flows	**(4)**	**(61)**	**824**	**63**	**822**
Other changes in liabilities					
Acquisition of subsidiaries, net	275	707	-	-	982
Increase in overdraft position	73	-	-	-	73
Conversion of convertible notes	-	-	(159)	-	(159)
Effect of change from foreign exchange rates	-	-	8	-	8
Total liability other changes	348	707	(151)	-	904
Other changes					
Amortisation of transaction costs	-	-	18	-	18
Interest expense	2	17	-	-	19
Total liability-related other changes	2	17	18	-	37
Balance at 31 December 2018	**348**	**663**	**691**	**63**	**1,765**

16. CONTINGENT CONSIDERATION

	2018 £'000	2017 £'000
Amount due for settlement within 12 months (shown under current liabilities)	2,998	-
Amount due for settlement after 12 months (shown under non-current liabilities)	3,838	-
	6,826	-

The Company has an incentive scheme for certain directors and senior employees of the subsidiaries of the Group. In accordance with the terms stipulated in the Share Purchase Agreement between the Company and subsidiaries of the Group, certain directors and senior employees may be granted additional equity shares in the Company should the subsidiary for which they are responsible, achieve increased profits in excess of its previous year, provided that this is in excess of the base year of assessment which is the year of acquisition.

For every £1 of additional adjusted EBITDA generated by the subsidiary over that of the previous year, the directors and senior employees to the Share Purchase Agreement are entitled to receive additional equity shares in the Company equivalent in value to three times that amount, subject to satisfactory due-diligence conducted by the board of the Company.

The additional equity shares will be allotted and issued upon the release of the Group's results. The fair value of shares awarded is computed based on market value on the date of award.

17. DEFERRED TAX LIABILITIES

	2018 £'000	2017 £'000
Fixed assets timing differences	10	-

18. CONTRACT LIABILITIES

	2018 £'000	2017 £'000
Amounts related to property services contracts	528	-

Contract liabilities relates to balances due to customers under property services contracts, including retentions payable. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

19. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade payables	2,928	-
Other taxation and social security	652	-
Other payables	120	
Accruals	490	-
Deferred consideration (note 21)	430	-
	4,620	-

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

20. ISSUED CAPITAL AND SHARE PREMIUM

	2018 £'000	2017 £'000
Share capital	26,770	222
Share premium	269	-
	27,039	222

Issued capital comprises of 30,322,804 fully paid ordinary shares of €1.00 each (2017: 250,000 fully paid ordinary shares of €1.00 each).

	Number of shares	Par value	Share premium	Total
	'000	£'000	£'000	£'000
At 1 January 2017	*	*	-	*
Issuance of shares	250	222	-	222
At 31 December 2017	250	222	-	222
Acquisition of subsidiaries	29,168	25,743	110	25,853
Issuance of new shares for equity-settled share-based payments	345	305	-	305
Issuance of new shares	412	368	132	500
Conversion of convertible notes (note 15c)	148	132	27	159
At 31 December 2018	**30,323**	**26,770**	**269**	**27,039**

The Group issued equity-settled share-based payments amounting to £305,000 for directors and senior management remuneration for the financial year ended 31 December 2018.

21. SUBSIDIARIES

The Group consists of the below subsidiaries, all of which are included within the consolidated financial statements.

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held	
			2018	2017
Lara Group plc	Investment holding	United Kingdom	100%	-
Corsora Ltd	Investment holding	United Kingdom	100%	-
Subsidiaries under Lara Group plc acquired on 22 August 2018				
Daytrum Ltd	Investment holding	United Kingdom	100%	-
Acacia Training Ltd	Vocational training to health, social and management sector	United Kingdom	100%	-
Amplify Investments Ltd	Investment holding	United Kingdom	100%	-
Smart Allicks Ltd	Investment holding	United Kingdom	100%	-
Parenta Holdings Ltd	Investment holding	United Kingdom	100%	-
Parenta Group Ltd	Education software solutions	United Kingdom	100%	-
Parenta Training Ltd	Vocational training to early years sector	United Kingdom	100%	-
Parenta Financial Services Limited	Investment holding	United Kingdom	100%	-
Parenta Limited	Investment holding	United Kingdom	100%	-
Subsidiaries under Corsora Ltd acquired on 3 September 2018				
Cape Ltd	Commercial interior fit-out and construction contractor	New Zealand	100%	-
Subsidiaries under Corsora Ltd acquired on 8 December 2018				
Algatron Limited	Investment holding	United Kingdom	100%	-
du Boulay Contracts Ltd	Commercial interior fit-out and construction contractor	United Kingdom	100%	-

a) Acquisition of subsidiaries

Lara Group plc and Corsora Ltd

On 22 August 2018 and 3 September 2018, the Group acquired Lara Group plc and Corsora Ltd (excluding Algatron Limited and du Boulay Contracts Ltd) respectively. These transactions have been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The contingent consideration requires the Group to pay the vendors approximately £5,524,000 if Lara Group plc's and Corsora Ltd's adjusted EBITDA for the next five financial years (2018 to 2022) exceeds the adjusted EBITDA for the prior year. The consideration is computed based on three times of the difference between the adjusted EBITDA for current year and prior year. Should the group entities fail to meet the criteria, no consideration will be paid, until the group entities exceed the highest adjusted EBITDA recorded during the measurement period. The consideration is payable upon the release of results.

Algatron Ltd

On 8 December 2018, Corsora Ltd, a wholly-owned subsidiary of the Group, acquired Algatron Limited and its subsidiary, du Boulay Contracts Ltd for £2,149,000. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The initial accounting for the acquisition of Algatron Limited and du Boulay Contracts Ltd ("Algatron Group") has only been provisionally determined as the acquisition is dependent of the finalised results of du Boulay Contracts Ltd for the year ended 31 March 2019.

As at 31 December 2018, £417,000 of shares has been issued in relation to the acquisition, with the deferred consideration to be settled in shares by the purchaser subject to the finalisation of du Boulay Contracts Ltd's financial statements for the year ended 31 March 2019. The consideration has only been provisionally determined based on the management's best estimate of the likely values.

The contingent consideration requires the Group to pay the vendors approximately £1,302,000 if Algatron Ltd's adjusted EBITDA for the next five financial years (2019 to 2023) exceeds the adjusted EBITDA for the prior year. The consideration is computed based on three times of the difference between the adjusted EBITDA for the current and the prior year. Should Algatron Ltd fail to meet the criteria, no consideration will be paid, until Algatron Ltd exceed the highest adjusted EBITDA recorded during the measurement period. The consideration is payable upon the release of results.

	Lara Group plc	Corsora Ltd and Cape Limited	Algatron Limited and du Boulay Contracts Ltd	Total
	£'000	£'000	£'000	£'000
Fair value of assets acquired				
Fixed and intangible assets	2,489	115	1	2,605
Goodwill	4,581	5,506	-	10,087
Investment	-	-	2	2
Trade and other receivables	1,322	2,097	825	4,244
Contract assets	1,546	589	11	2,146
Cash at bank and in hand	13	232	27	272
Deferred tax	(10)	-	-	(10)
Trade and other payables	(1,310)	(1,624)	(1,217)	(4,151)
Contract liabilities	-	(433)	-	(433)
Bank overdraft	(275)	-	-	(275)
Loans payable	(707)	-	-	(707)
Income tax payable	(213)	(71)	-	(284)
Net identifiable assets (liabilities) acquired	**7,436**	**6,411**	**(351)**	**13,496**
Add: goodwill	9,319	7,794	2,500	19,613
Total consideration	**16,755**	**14,205**	**2,149**	**33,109**
Breakdown				
Consideration – MBH shares	14,280	11,156	417	25,853
Deferred consideration	-	-	430	430
Contingent consideration	2,475	3,049	1,302	6,826
Total consideration	**16,755**	**14,205**	**2,149**	**33,109**
Effects on cash flows of the Group				
Cash paid	-	-	-	-
Less: net of cash and cash equivalents and bank overdraft in businesses acquired	(262)	232	27	(3)
Cash inflow/(outflow) on acquisition	(262)	232	27	(3)
Total goodwill (note 11)	**13,900**	**13,300**	**2,500**	**29,700**

b) Goodwill arising on acquisitions

Goodwill amounting to £19,613,000 arose in the acquisition of the above companies and business because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of these companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

c) Impact of acquisitions on the results of the Group

Included in the revenue and profit for the year is £12,511,000 and £1,844,000 respectively attributable to the additional business generated by the above acquisitions.

Had these business combinations been effected at 1 January 2018, the revenue and profit for the year of the Group from continuing operations would have been as follows:

	Revenue	Profit for the year
	£'000	£'000
Lara Group plc	10,211	992
Corsora Ltd and Cape Limited	20,091	1,031
Algatron Limited and du Boulay Contracts Ltd	7,381	22
	37,683	**2,045**

The Directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point of comparison in future periods.

The net profit after tax is not an accurate representation of the trading results for the Group as the pre-acquisition results include significant one-off transactions which would not normally occur under the Group's ownership if the companies have been acquired at the beginning of the current year.

d) Acquisition-related costs

Acquisition-related costs amounting to £121,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "non-operating expenses" line item in the statement of comprehensive income.

22. OPERATING SEGMENT

The Group determines its operating segments based on components of the Group's business which are reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has the following business segments with the segmental analysis used to allocate resources and to assess performance:

1) Education sector – this segment includes provision of education and learning related services for apprentices.

2) Property service sector – this segment includes commercial interior fit-out and construction contractor services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Intersegment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

Segment information about the Group's operating segments are presented below.

	Revenue		Net profit	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Revenue and net profit				
Education sector	4,815	-	1,491	-
Property service sector	7,696	-	517	-
Total for continuing operations	12,511	-	2,008	-
Central administration costs and directors' salaries			(584)	-
Finance costs			(6)	(*)
Profit before tax			1,418	(*)
Income tax expense			(172)	-
Consolidated revenue and profit	12,511	-	1,246	(*)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2017: Nil).

	2018	2017
	£'000	£'000
Segment assets		
Education sector	20,728	-
Property service sector	20,794	-
Total segment assets	41,722	-
Unallocated assets	1,016	222
Consolidated total assets	42,538	222
Segment liabilities		
Education sector	4,728	-
Property service sector	8,810	-
Total segment liabilities	13,538	-
Unallocated liabilities	645	*
Consolidated total liabilities	14,183	*

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets and liabilities attributable to each segment.

Goodwill has been allocated to reportable segments as described in note 11. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Unallocated corporate assets mainly represent bank balances and cash, other receivables, deposits and prepayments at corporate level. Unallocated corporate liabilities represent other payables at corporate level.

Geographical information

The geographical locations of the customers of the Group principally comprise the Europe and Oceania. The Group's revenue from external customers and information about its segment assets by geographical location are detailed below:

	Revenue from external customer		Non-current assets	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Europe	5,673	-	19,308	222
Oceania	6,838	-	13,437	-
Consolidated revenue and profit	12,511	-	32,745	222

Information about major customers

There is no single customer which contributes 10% or more of the revenue in 2018 and 2017, respectively.

23. OPERATING LEASE COMMITMENTS

	2018	2017
	£'000	£'000
Minimum lease payments paid under operating leases recognised as an expense in the year	93	*

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£'000	£'000
Within one year	347	222
Between one and five years	597	-
	944	222

Operating lease payments represent rentals payable to the Group for premises with lease terms ranging from 1 to 4 years (2017: NA).

24. EARNINGS PER SHARE

	2018 pence	2017 pence
Basic earnings per share	12.22	(0.001)
Diluted earnings per share	11.21	(0.001)

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

	2018 £'000	2017 £'000
Profit from continuing operations attributable to the ordinary equity holders of the company	1,246	(*)
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	1,246	(*)

	2018 Number ('000)	2017 Number ('000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	10,192	250
Effect of dilutive potential ordinary shares from share options and convertible bonds	924	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	11,116	250

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

a) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Management ensures that all externally imposed financial covenants are complied with. As at the end of the reporting period, the Group is in compliance with all financial covenants for external borrowings.

The capital structure of the Group consists of equity and bank borrowings. Management reviews the capital structure on an on-going basis. As a part of this review, management considers the cost of capital, the tenure and the risks associated with each class of capital.

b) Categories of financial instruments

The Group holds the following financial instruments:

	2018 £'000	2017 £'000
Financial assets:		
Trade and other receivables	8,065	-
Cash and cash equivalents	1,523	-
Equity instruments designated as at FVTOCI	2	-
	9,590	**-**
Financial liabilities at amortised cost:		
Trade and other payables	3,968	-
Convertible notes	691	-
Loans and borrowings	1,011	-
	5,670	**-**

c) Offsetting financial assets and financial liabilities

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

d) Financial risk management policies and objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk and equity price risk), credit risk, liquidity risk and cash flow interest rate risk. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the management team under the policies approved by the Board of Directors.

The Group does not hold or issue derivative financial instruments for speculative purposes.

i) Foreign exchange risk management

The Group transacts business in Euro and therefore is exposed to foreign exchange risk.

As at each reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Euro	
	2018	2017
	£'000	£'000
Convertible loans	762	-

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity.

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss and other equity will decrease by £76,000 (2017: nil).

Conversely, a weakening of foreign currency by 10% would have the opposite effect on profits.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

ii) Interest rate risk management

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group monitors the movements in interest rates on an ongoing basis and evaluates the exposure for its debt obligations. The Group's borrowings are carried at amortised cost.

For variable-rate bank borrowing, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's profit would increase/decrease by £7,000.

iii) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its key management personnel to develop and maintain the Group's credit risk gradings according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Category	Company definition of category	Basis for recognition of expected credit loss (ECL) provision
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Asset is written off

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					£'000	£'000	£'000
31 December 2018							
Trade receivables and contract assets	14	n.a.	a)	Lifetime ECL (simplified approach)	6,394	(251)	6,143
Other receivables	14	n.a.	b)	12-month ECL	2,127	-	2,127

a) For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 14 includes further details on the loss allowance for these assets.

b) For other receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by historical credit loss experience based on past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

iv) Credit risk management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Information on counterparties supplied by independent rating agencies where available, other publicly available financial information and the Group's own historical transactions with these counterparties are used to make decisions relating to credit granted to customers or advances made to suppliers. The Group's exposure to credit risk, concentration risk and the credit terms granted to counterparties are monitored continuously.

The Group's credit risk primarily relates to the Group's trade and other receivables, prepayments and bank balances. Trade receivables and contract assets account for 8.7% (2017 : 0%) of total assets, and consist of a large number of customers, spread across diverse industries. For contract related work and contract assets, collection of debts including retention sums can involve extended period of time. Management closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period. Such review takes into consideration the due date, the period the payment is overdue, the results of communications with debtors, adherence to installment payment plans or otherwise and current commercial information of debtors where available. Following the identification of slow payments, the responsible sales personnel discuss with the relevant customers and report on results of recovery actions and recovery prospects. Management is of the view that adequate allowance for doubtful debts has been made for irrecoverable amounts.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Other receivables account for 5% (2017: 0%) of total assets. To minimise risk, trade prepayments are generally made to suppliers with good credit ratings and with good trading history with the Group. At 31 December 2018, there was no concentration of credit risk with any particular supplier.

Bank balances are placed with reputable banking institutions in the United Kingdom and New Zealand.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statement of financial position.

Further details of credit risks on trade and other receivables are disclosed in note 14 to the financial statements.

v) Liquidity risk management

The Group maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows relative to expectations. Management monitors cash flows, utilisation of bank borrowings and compliance with financial covenants relating to credit facilities.

Certain companies of the Group have embarked on more service concession arrangements which involve substantial commitment of funds during the construction of infrastructure with cash inflows only after completion and delivering of projects to end users.

At the end of the reporting period, the Group's current liabilities exceeded its current assets by £58,000. The current liabilities currently include £2,998,000 of contingent consideration associated with the acquisitions throughout the year (refer note 21). The settlement of this liability is by way of issuance of shares in the Company and no cash is required to settle this liability. The Group is dependent on credit facilities committed by banks, undrawn principal amounts from convertible bonds and the availability of future cash flows from the Group's operations. The contingent consideration will be converted to shares for certain directors and senior employees of the subsidiaries of the Group upon meeting the conditions (note 16) with no cash outflow.

Management is satisfied that with the availability of credit facilities and operations from newly acquired companies during the financial year, the Group will be able to meet its obligations as and when they fall due. It is appropriate for the financial statements to be prepared on a going concern basis.

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 or 5 years	Adjustment	Total
	%	£'000	£'000	£'000	£'000
31 December 2018					
Non-interest bearing	-	4,669	-	-	4,669
Variable interest rate	4.6	187	507	(31)	663
Fixed interest rate	2.9	358	-	(10)	348
Total		5,204	507	(41)	5,670

vi) Fair value of financial assets and financial liabilities

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / Financial liabilities	Fair value as at 31 December 2018 Assets/ (Liabilities)	31 December 2017 Assets/ (Liabilities)	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Relationship of unobservable input to fair value
	£'000	£'000				
Listed equity share	2	-	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Contingent consideration	(6,826)	-	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Discount rate of 8.50% – 9.25% per annum determined using a Capital Asset Pricing Model.	A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value. (note 16)

26. SUBSEQUENT EVENTS

On 21 January 2019, Acacia Training Limited, a wholly-owned subsidiary of the Group, acquired the assets of International School of Beauty Therapy for £35,000.

On 2 April 2019, the Company has secured commitment for a financing facility with Global Emerging Markets Group ("GEM"). GEM has signed an agreement with the Company which allows MBH to a draw down an equity facility worth up to €20 million. Under the terms of the agreement, MBH will have access to the facility for up to 5 years. GEM undertakes to subscribe to, or acquire ordinary registered MBH shares upon MBH's discretionary exercise of a draw down notice. MBH will control the timing and amount of any draw down,

and has the right, not the obligation, to draw down on the full commitment amount. The maximum drawdown is subjected to certain share trading volumes. GEM will also be issued 4 million options for the 5-year exercise period priced at €2.10 for the first year and a 50% premium of the share price for the remainder of the term.

On 18 April 2019, the Group has agreed to acquire Guildprime Specialist Contracts Ltd, which focuses on luxury retail fit-outs and refurbishments, high end commercial office spaces and residential spaces. The transaction is expected to be completed within 30 days.

MBH CORPORATION PLC
PARENT STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Intangible assets	D	222	222
Investment in subsidiaries	E	30,960	-
Total non-current assets		**31,182**	222
Current assets			
Cash and cash equivalents		279	*
Trade and other receivables	F	2,879	-
Total current assets		**3,158**	*
Total assets		**34,340**	222
LIABILITIES			
Non-current liabilities			
Contingent consideration	G	3,838	-
Current liabilities			
Contingent consideration	G	2,988	-
Convertible notes	H	691	-
Trade and other payables	I	312	-
Total current liabilities		**3,991**	-
Net assets		**26,511**	222
EQUITY			
Share capital and share premium	J	27,039	222
Other reserve	H	63	
Retained earnings		(591)	*
Total equity		**26,511**	222

* Amount less than £1,000.

These financial statements were approved by the Directors and authorised for issue on 3 May 2019, and were signed on their behalf by:

Callum Laing
Non-Executive Chairman
MBH Corporation plc

Company Registration Number: 10238873

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

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017		*	*	*	-	*
Profit for the period, representing total comprehensive income for the year		-	-	-	*	*
Transactions with owners in their capacity as owners						
Issue of ordinary shares		222	-	-	-	222
Balance at 31 December 2017		222	-	-	*	222
Profit for the period, representing total comprehensive income for the year		-	-	-	(591)	(591)
Transactions with owners in their capacity as owners						
Issue of ordinary shares as consideration for a business combination		25,743	110	-	-	25,853
Credit to equity for equity-settled share-based payments		305	-	-	-	305
Issue of ordinary shares		368	132	-	-	500
Issue of convertible bonds		-	-	63	-	63
Conversion of convertible notes		132	27	-	-	159
		26,548	**269**	**63**	**-**	**26,880**
Balance at 31 December 2018		**26,770**	**269**	**63**	**(591)**	**26,511**

* Amount less than £1,000.

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

A. ACCOUNTING POLICIES

a) Statement of compliance with FRS 101

These financial statements (the parent company financial statements) were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and in accordance with applicable accounting standards.

No profit or loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of MBH Corporation plc are included in the consolidated financial statements of MBH Corporation plc which are included on page 25

The accounting policies which follow set out those policies which apply in preparing the parent company financial statements for the year ended 31 December 2018. The parent company financial statements are presented in Pounds (GBP).

b) Basis of preparation

The Company's previous financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. For the year ended 31 December 2016, the Company has applied the reduced disclosure framework of FRS 101 for all periods presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share Based Payments*;
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q) (ii), B66 and B67 of IFRS 3 *Business Combinations*;
- The requirements of IFRS 7 *Financial Instruments: Disclosures*;
- The requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*.
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- The requirements of IAS 7 *Statement of Cash Flows*;
- The requirements of paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies*;
- The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*.

c) Fixed asset investments

In the parent company financial statements, investment in subsidiaries are measured at cost less accumulated impairment.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

e) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except in respect of deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

f) Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

g) Amounts owed to/from group undertakings

Amounts owed to/from group undertakings are recognised at fair value, less provision for impairment. Provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

h) Share capital

Ordinary shares are classified as equity.

i) Foreign currency translation

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Differences arising on the translation of monetary assets and liabilities are taken to the income statement.

The financial statements of the parent company are presented in Pounds. The functional currency of the parent company is Pounds.

j) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

B. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. However, the nature of estimation means that actual outcomes could differ from those estimates. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment of non-financial assets

The parent company applies the same consideration for impairment on its investments as it applies to the consideration of goodwill impairment in the consolidated financial statements. For details of the consideration of the goodwill impairment see note 4 in the consolidated financial statements.

C. LOSS FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the parent company's profit or loss account has not been included in these financial statements. The parent company's loss after tax was €591,000 (2017 : nil).

The total Directors' emoluments paid through the parent company was €279,000 (2017 : nil). There were no employees (2017 : nil) other than the Directors.

The audit fee is disclosed in note 5 of the consolidated financial statements.

D. INTANGIBLE ASSETS

	Trademark and licenses
	£'000
<u>At cost and carrying amount</u>	
At 1 January 2017	-
Additions	222
At 31 December 2017 and 31 December 2018	**222**

The trademark used for the know-how operations of the Company's business activities amounting to £222,000 (2017 : £222,000) is a perpetual licence to use the Agglomeration trademark and processes. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 4 of the consolidated financial statements.

E. INVESTMENT IN SUBSIDIARIES

	Company
	£'000
<u>Cost and carrying amount</u>	
At 1 January and 31 December 2017	-
Additions	30,960
At 31 December 2018	**30,960**

All of the subsidiary undertakings are included within note 21 of the consolidated financial statements.

F. TRADE AND OTHER RECEIVABLES

	2018	2017
	£'000	£'000
Trade receivables due from related companies	5	-
Other receivables due from related companies	2,002	-
Other receivables	859	-
Prepayments	13	-
Total	**2,879**	-

Receivables due from related companies are non-interest bearing and are generally on between 30 and 60 days' terms and are shown net of any provisions for impairment. As at 31 December 2018, no material impairment of trade receivables was required.

G. CONTINGENT CONSIDERATION

Disclosures in respect of contingent consideration are provided in note 16 to the consolidated financial statements.

H. CONVERTIBLE NOTES AND OTHER RESERVE

Disclosures in respect of convertible notes and other reserve are provided in note 19c to the consolidated financial statements.

I. TRADE PAYABLES AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade payables	87	-
Other payables	86	-
Provision and accruals	140	-
Total	**313**	-

J. ISSUED CAPITAL AND SHARE PREMIUM

Disclosures in respect of share capital and share premium of the Company are provided in note 20 to the consolidated financial statements.

K. POST BALANCE SHEET EVENTS

Disclosures in respect of subsequent events of the Company are provided in note 26 to the consolidated financial statements.

L. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS 101 from disclosing transactions with wholly owned group companies.

Disclosures in respect of transactions with other related parties of the Company as follows:

	2018 £'000	2017 £'000
Management fee income	20	-