

Company Registration No. 08236413 (England and Wales)

MRN INFLECTION LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

MRN INFLECTION LTD

COMPANY INFORMATION

Directors	Dr G Wylie Dr E Wylie Mr D E Cook Mr R Wilson
Secretary	Mrs S Ayres
Company number	08236413
Registered office	Talon House Presley Way Crownhill Milton Keynes Buckinghamshire MK8 0ES UK
Auditor	Azets Audit Services 6th Floor, Bank House Cherry Street Birmingham B2 5AL
Business address	Talon House Presley Way Crownhill Milton Keynes Buckinghamshire MK8 0ES UK

MRN INFLECTION LTD

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MRN INFLECTION LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

The principal activity of the group continues to be that of the provision of clinical trial support in the home. It is the group's aim to further develop this provision and to provide complimentary services which together will accelerate the mainstream implementation of community-based clinical trials over the next few years. The key underlying objectives are to speed up clinical trials, improve trial efficiency and ultimately bring drugs to the market quicker.

The turnover for the group has increased by 32.3 % this year, and the group continues in a good position to continue its growth in the upcoming financial year and beyond. The group's ongoing growth strategy requires it to re-invest the majority of profits, particularly in increased headcount, new technology and more efficient processes.

Additionally, the group's physical presence is now within the UK, USA and Europe (Spain and Germany) and in due course further overseas offices will be opened including in the Far East.

The Board has a 5 year plan which targets year on year increased turnover and over time increased profitability. To underpin this plan, the directors are planning to bring in additional external funding which is expected to be in place in the second half of 2020.

Principal risks and uncertainties

The key business risks and uncertainties affecting the group are considered to relate to competition within the market, availability of qualified nurses, retention of other staff members and the economic environment surrounding the clinical trials. The specific risks associated with Brexit have been reviewed and the Board has in place plans to mitigate any potential adverse impact. All significant risks are managed by directors and senior management within the group.

Key performance indicators

The directors consider that relevant key financial performance indicators are those that communicate the financial performance and strength of the group, these being turnover, gross profit, net profit before tax and net assets.

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

Turnover £20,895,200
Operating Profit £963,565
Net Profit Before Tax £837,502
Net Assets £1,801,590

MRN INFLECTION LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Going Concern

At the time of approving the financial statements, the directors have a good expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The group has reacted to, and considered the impact of Covid19 on the organisation, not least on the growth plans. In the initial weeks following the announcement of the global pandemic, focus was on understanding the potential adverse impact on the demand for, and the group's ability to deliver, home visits and within this to ensure the group secured its short term operational cash flow requirements. While ultimately the adverse impact on current contracts was small, the group secured a temporary increase in its invoice discounting facility and also successfully applied for a CBILS loan. As such the group is well placed in terms of cash facilities and headroom.

As the adverse impact diminished, the group has seen an increase in demand in some existing projects. The group has also been approached regarding a significant number of new business opportunities, these are from both existing and new customers.

The directors now consider that in 2020 any adverse impact of Covid19, will be more than offset by the increased activity in certain existing projects, along with new opportunities the group has been awarded. Therefore, the directors expect the group will exceed its 2020 sales budget with sufficient working capital to achieve this.

The group plans to recruit more people to meet additional demand, the costs of which will be borne from the additional profit generated by the increased turnover. In conclusion and based on their analysis, the directors are confident that the group will achieve its budgeted profit in 2020.

Approved on behalf of the board and signed on its behalf by

Dr G Wylie

Director

29 September 2020

MRN INFLECTION LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and consolidated financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the group continued to be that of the provision of clinical trial support.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr G Wylie
Dr E Wylie
Mr D E Cook
Mr R Wilson

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £349,600 (2018: £286,000). The directors do not recommend payment of a further dividend.

Financial instruments

Treasury operations and Financial instruments

The group operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the group's activities.

Liquidity risk

The group manages its cash and borrowing requirements to ensure the group has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans.

Foreign currency risk

The group's principal foreign currency exposures arise from trading with overseas companies. The group has significant trade in US Dollars. Group policy is to hedge foreign currency exposure in order to fix the cost in sterling, this will continue for the foreseeable future.

Credit risk

Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and customer due diligence is undertaken on a risk based approach. The Group operates strict credit limits with its customers and has reduced risk by maintaining credit insurance. Provision is made for doubtful debts where necessary.

Acquisition of own shares

During the year the company purchased and cancelled 150 ordinary B shares for cash consideration of £4,001.

MRN INFLECTION LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Post reporting date events

During the financial year the company negotiated and agreed the option to acquire and cancel shares belonging to a minority shareholder. The contracts were formally signed in February 2020.

If the option is exercised this will result in the following transactions:

Year ended 31st December 2020:

Acquisition of 1,862 ordinary B shares for consideration of £174,740.20

Year ended 31st December 2021:

Acquisition of 1,862 ordinary B shares for consideration estimated in the region of £174,740.20

Year ended 31st December 2022:

Acquisition of 1,861 ordinary B shares for consideration estimated in the region of £174,740.20

The company will fund these transactions from profits generated from management activities and if required, dividends from its subsidiaries.

At the date of signing these accounts the company has also entered into a discussion with another shareholder with regard to a company purchase of their shares. at this stage it is too early to reliably state the purchase price, timing or probability of this transaction.

On 11th March 2020, the World Health Organisation declared the Coronavirus disease a global pandemic which has resulted in unprecedented economic consequences. The directors have considered the impact of this in their going concern assessment and determined that it doesn't create a material uncertainty for the group

Additionally and in line with the group's planned growth, the group has entered into the following significant post balance sheet events:

- Director funding

In February 2020 a loan of £175,000 has been made to the group from a director at an interest rate of 2% above the base rate of Barclays Plc.

The directors aim to maintain the current trade with increased turnover and profitability for future periods.

Auditor

On 7 September 2020 Baldwins Audit Service Limited trading as Baldwins Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name. The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

MRN INFLECTION LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Approved on behalf of the board and signed by

Dr G Wylie

Director

29 September 2020

MRN INFLECTION LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

MRN INFLECTION LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MRN INFLECTION LTD

Opinion

We have audited the financial statements of MRN Inflection Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

MRN INFLECTION LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MRN INFLECTION LTD

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

MRN INFLECTION LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MRN INFLECTION LTD

Use of our report

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

**Laura Hinsley FCCA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services
Statutory Auditor**

29 September 2020
**6th Floor, Bank House
Cherry Street
Birmingham
B2 5AL**

MRN INFLECTION LTD

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	20,895,200	15,799,329
Cost of sales		(8,399,909)	(6,921,214)
Gross profit		12,495,291	8,878,115
Administrative expenses		(11,531,726)	(9,304,344)
Other operating income		-	162,985
Operating profit/(loss)	4	963,565	(263,244)
Interest receivable and similar income	9	10	6
Interest payable and similar expenses	10	(126,073)	(101,120)
Fair value gains and losses on foreign exchange contracts	8	-	(442,324)
Profit/(loss) before taxation		837,502	(806,682)
Tax on profit/(loss)	11	(100,424)	11,327
Profit/(loss) for the financial year	31	737,078	(795,355)

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 18 to 44 form part of the financial statements.

MRN INFLECTION LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£	£
Profit/(loss) for the year	737,078	(795,355)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>737,078</u></u>	<u><u>(795,355)</u></u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

The notes on pages 18 to 44 form part of the financial statements.

MRN INFLECTION LTD

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Intangible assets	13		365,221		220,130
Tangible assets	14		430,920		380,091
			<u>796,141</u>		<u>600,221</u>
Current assets					
Stocks	17	10,184		5,948	
Debtors - deferred tax	25	55		55	
Debtors - other	19	5,386,035		4,123,192	
Cash at bank and in hand		385,712		259,292	
		<u>5,781,986</u>		<u>4,388,487</u>	
Creditors: amounts falling due within one year	20	<u>(4,612,749)</u>		<u>(3,570,596)</u>	
Net current assets			<u>1,169,237</u>		<u>817,891</u>
Total assets less current liabilities			<u>1,965,378</u>		<u>1,418,112</u>
Creditors: amounts falling due after more than one year	21		(107,565)		-
Provisions for liabilities	25		(56,223)		-
Net assets			<u>1,801,590</u>		<u>1,418,112</u>
Capital and reserves					
Called up share capital	28		1,488		1,490
Share premium account	29		1,570,497		1,570,497
Capital redemption reserve	30		202		200
Profit and loss reserves	31		229,403		(154,075)
Total equity			<u>1,801,590</u>		<u>1,418,112</u>

The notes on pages 18 to 44 form part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

Dr G Wylie
Director

MRN INFLECTION LTD

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Investments	15		25,999		4,631
Current assets					
Debtors	19	1,760,641		1,624,971	
Creditors: amounts falling due within one year	20	(26,877)		(4,508)	
Net current assets			1,733,764		1,620,463
Total assets less current liabilities			1,759,763		1,625,094
Capital and reserves					
Called up share capital	28		1,488		1,490
Share premium account	29		1,475,017		1,475,017
Capital redemption reserve	30		202		200
Profit and loss reserves	31		283,056		148,387
Total equity			1,759,763		1,625,094

The notes on pages 18 to 44 form part of the financial statements.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £488,269 (2018 - £433,724 profit).

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the board of directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

Dr G Wylie
Director

Company Registration No. 08236413

MRN INFLECTION LTD

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium account	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£	£
Balance at 1 January 2018	1,490	1,570,497	200	927,280	2,499,467
Year ended 31 December 2018:					
Loss and total comprehensive income for the year	-	-	-	(795,355)	(795,355)
Dividends	12	-	-	(286,000)	(286,000)
Balance at 31 December 2018	1,490	1,570,497	200	(154,075)	1,418,112
Year ended 31 December 2019:					
Profit and total comprehensive income for the year	-	-	-	737,078	737,078
Dividends	12	-	-	(349,600)	(349,600)
Own shares acquired	-	-	-	(4,000)	(4,000)
Redemption of shares	28	-	2	-	2
Reduction of shares	28	(2)	-	-	(2)
Balance at 31 December 2019	1,488	1,570,497	202	229,403	1,801,590

The notes on pages 18 to 44 form part of the financial statements.

MRN INFLECTION LTD

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018		1,490	1,475,017	200	663	1,477,370
Year ended 31 December 2018:						
Profit and total comprehensive income for the year		-	-	-	433,724	433,724
Dividends	12	-	-	-	(286,000)	(286,000)
Balance at 31 December 2018		1,490	1,475,017	200	148,387	1,625,094
Year ended 31 December 2019:						
Profit and total comprehensive income for the year		-	-	-	488,269	488,269
Dividends	12	-	-	-	(349,600)	(349,600)
Own shares acquired		-	-	-	(4,000)	(4,000)
Redemption of shares	28	-	-	2	-	2
Reduction of shares	28	(2)	-	-	-	(2)
Balance at 31 December 2019		1,488	1,475,017	202	283,056	1,759,763

The notes on pages 18 to 44 form part of the financial statements.

MRN INFLECTION LTD

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	39				
		1,983,330		(746,937)	
Interest paid		(126,073)		(101,120)	
Income taxes paid		(48,139)		(242,398)	
		<u>1,809,118</u>		<u>(1,090,455)</u>	
Net cash inflow/(outflow) from operating activities					
		1,809,118		(1,090,455)	
Investing activities					
Purchase of intangible assets		(222,564)		(122,782)	
Purchase of tangible fixed assets		(287,043)		(247,440)	
Proceeds on disposal of tangible fixed assets		14,787		-	
Interest received		10		6	
		<u>(494,810)</u>		<u>(370,216)</u>	
Net cash used in investing activities					
		(494,810)		(370,216)	
Financing activities					
Purchase of own shares		(4,000)		-	
Proceeds from borrowings		132,109		-	
Repayment of borrowings		(579,143)		911,633	
Purchase of derivatives		(355,446)		-	
Payment of finance leases obligations		(31,808)		-	
Dividends paid to equity shareholders		(349,600)		(286,000)	
		<u>(1,187,888)</u>		<u>625,633</u>	
Net cash (used in)/generated from financing activities					
		(1,187,888)		625,633	
Net increase/(decrease) in cash and cash equivalents					
		126,420		(835,038)	
Cash and cash equivalents at beginning of year		259,292		1,094,330	
		<u>385,712</u>		<u>259,292</u>	
Cash and cash equivalents at end of year					
		<u><u>385,712</u></u>		<u><u>259,292</u></u>	

The notes on pages 18 to 44 form part of the financial statements.

MRN INFLECTION LTD

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	38		374,993		355,010
Income taxes paid			(25)		(69,010)
Net cash inflow from operating activities			<u>374,968</u>		<u>286,000</u>
Investing activities					
Purchase of subsidiaries		(21,368)		-	
Net cash used in investing activities		<u>(21,368)</u>	(21,368)	<u>-</u>	-
Financing activities					
Purchase of treasury shares		(4,000)		-	
Dividends paid to equity shareholders		(349,600)		(286,000)	
Net cash used in financing activities		<u>(353,600)</u>	(353,600)	<u>(286,000)</u>	(286,000)
Net increase in cash and cash equivalents			-		-
Cash and cash equivalents at beginning of year			-		-
Cash and cash equivalents at end of year			<u>-</u>		<u>-</u>

The notes on pages 18 to 44 form part of the financial statements.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

MRN Inflection Ltd ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Talon House, Presley Way, Crownhill, Milton Keynes, Bucks. MK8 0ES.

The group consists of MRN Inflection Limited and all of its subsidiaries. Further information is presented at note 16.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of MRN Inflection Ltd and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a good expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The group has reacted to, and considered the impact of Covid19 on the organisation, not least on the growth plans. In the initial weeks following the announcement of the global pandemic, focus was on understanding the potential adverse impact on the demand for, and the group's ability to deliver, home visits and within this to ensure the group secured its short term operational cash flow requirements. While ultimately the adverse impact on current contracts was small, the group secured a temporary increase in its invoice discounting facility and also successfully applied for a CBILS loan. As such the group is well placed in terms of cash facilities and headroom.

As the adverse impact diminished, the group has seen an increase in demand in some existing projects. The group has also been approached regarding a significant number of new business opportunities, these are from both existing and new customers.

The directors now consider that in 2020 any adverse impact of Covid19, will be more than offset by the increased activity in certain existing projects, along with new opportunities the group has been awarded. Therefore, the directors expect the group will exceed its 2020 sales budget with sufficient working capital to achieve this.

The group plans to recruit more people to meet additional demand, the costs of which will be borne from the additional profit generated by the increased turnover. In conclusion and based on their analysis, the directors are confident that the group will achieve its budgeted profit in 2020.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

MIS/SIS Project	5 Years
Software Upgrade	5 Years / no amortisation in implementation phase

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

Leasehold land and buildings	16.67% straight line
Plant and equipment	33% straight line
Fixtures and fittings	33% straight line
Computers	33% and 20% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

1.8 Impairment of fixed assets

At each reporting period end 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. 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.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

1.10 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.14 Taxation

The 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 the profit and loss account 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 reporting end date.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Share-based payments

The company has entered into an equity settled share based payment plan for certain group employees.

In accordance with FRS 102 transition exemptions applicable to the company at the date of transition, the company is not required to disclose liabilities arising from equity instruments granted prior to the first reporting period in which the company adopted FRS 102. Therefore, no liabilities are recognised for equity instruments granted before 1st November 2015.

The group has not granted any equity options after 1st November 2015 and therefore there is no further accounting policy to note.

1.18 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leased asset are consumed.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.20 Factored debts

The group utilises a debt factoring arrangement whereby substantially all of the benefits and risks of the factored debts are retained by the group. It is therefore appropriate to adopt a separate presentation whereby gross factored debts are included on the balance sheet within debtors and a corresponding liability in respect of the proceeds received from the factor is shown within secured liabilities. Factoring charges are recognised as they accrue and included within bank charges and similar charges.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019	2018
	£	£
Turnover		
Sales	20,895,200	15,799,329
	<u>20,895,200</u>	<u>15,799,329</u>
Other significant revenue		
Interest income	10	6
Management fees to third party	-	162,985
	<u>-</u>	<u>162,985</u>

Turnover analysed by geographical market

	2019	2018
	£	£
United Kingdom	3,435,469	3,624,324
USA	16,799,279	11,237,413
Switzerland	-	8,200
Europe	660,452	929,392
	<u>20,895,200</u>	<u>15,799,329</u>

All turnover is attributable to the group's principal activity.

4 Operating profit/(loss)

	2019	2018
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange losses	244,842	195,562
Depreciation of owned tangible fixed assets	205,981	194,459
Loss on disposal of tangible fixed assets	15,446	-
Amortisation of intangible assets	77,473	31,969
Operating lease charges	376,035	314,129
	<u>819,777</u>	<u>736,119</u>

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	5,400	2,500
Audit of the company's subsidiaries	12,600	9,500
	<u>18,000</u>	<u>12,000</u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

Group 2019	2018	Company 2019	2018
Number	Number	Number	Number
<u>152</u>	<u>127</u>	<u>4</u>	<u>4</u>

Their aggregate remuneration comprised:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Wages and salaries	7,207,410	6,147,818	14,400	14,400
Social security costs	730,522	620,910	-	-
Pension costs	553,156	304,881	13,880	15,476
	<u>8,491,088</u>	<u>7,073,609</u>	<u>28,280</u>	<u>29,876</u>

7 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	54,618	47,107
Company pension contributions to defined contribution schemes	13,880	15,476
	<u>68,498</u>	<u>62,583</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2, (2018: 2).

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Directors' remuneration **(Continued)**

As total directors' remuneration was less than £200,000 in the current period and prior period, no disclosure is provided for these periods.

8 Other gains and losses

	2019	2018
	£	£
Fair value gains/(losses) on financial instruments		
Gain/(loss) on hedging instrument in a fair value hedge	-	(442,324)
	<u> </u>	<u> </u>

9 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	10	6
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	10	6
	<u> </u>	<u> </u>

10 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	5,197	-
Interest on finance leases and hire purchase contracts	6,546	953
Interest on invoice finance arrangements	112,994	97,661
	<u> </u>	<u> </u>
	124,737	98,614
Other finance costs:		
Other interest	1,336	2,506
	<u> </u>	<u> </u>
Total finance costs	126,073	101,120
	<u> </u>	<u> </u>

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Taxation	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	-	(79,001)
Other taxes	25	-
Total UK current tax	25	(79,001)
Foreign current tax on profits for the current period	69,316	54,192
Adjustments in foreign tax in respect of prior periods	(25,140)	40,999
Total current tax	44,201	16,190
Deferred tax		
Origination and reversal of timing differences	56,223	(27,517)
Total tax charge/(credit)	100,424	(11,327)

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit/(loss) before taxation	837,502	(806,682)
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	159,125	(153,270)
Tax effect of expenses that are not deductible in determining taxable profit	6,002	305
Tax effect of utilisation of tax losses not previously recognised	(13,190)	-
Adjustments in respect of prior years	(24,729)	41,000
Effect of change in corporation tax rate	-	(986)
Depreciation on assets not qualifying for tax allowances	2,360	1,309
Effect of overseas tax rates	16,284	883
Under/(over) provided in prior years	-	19,370
Deferred tax adjustments in respect of prior years	(45,453)	80,062
Other taxes	25	-
Tax expense for the year	100,424	(11,327)

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Dividends

	2019	2018
	£	£
Interim paid	349,600	286,000

13 Intangible fixed assets

Group	MIS/SIS Project	Software Upgrade	Total
	£	£	£
Cost			
At 1 January 2019	120,213	139,447	259,660
Additions - separately acquired	137,029	85,535	222,564
At 31 December 2019	257,242	224,982	482,224
Amortisation and impairment			
At 1 January 2019	31,055	8,475	39,530
Amortisation charged for the year	36,398	41,075	77,473
At 31 December 2019	67,453	49,550	117,003
Carrying amount			
At 31 December 2019	189,789	175,432	365,221
At 31 December 2018	89,158	130,972	220,130

The company had no intangible fixed assets at 31 December 2019 or 31 December 2018.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Tangible fixed assets

Group	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2019	153,876	140,760	909	630,157	15,505	941,207
Additions	16,714	875	-	269,454	-	287,043
Disposals	-	-	-	(146,601)	-	(146,601)
At 31 December 2019	170,592	141,635	909	753,010	15,505	1,081,649
Depreciation and impairment						
At 1 January 2019	74,772	92,622	200	378,017	15,505	561,116
Depreciation charged in the year	24,375	25,013	303	156,290	-	205,981
Eliminated in respect of disposals	-	-	-	(116,368)	-	(116,368)
At 31 December 2019	99,149	117,635	503	417,939	15,505	650,729
Carrying amount						
At 31 December 2019	71,443	24,000	406	335,071	-	430,920
At 31 December 2018	79,104	48,138	709	252,140	-	380,091

The company had no tangible fixed assets at 31 December 2019 or 31 December 2018.

15 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	16	-	-	25,999	4,631

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15	Fixed asset investments	(Continued)
	Movements in fixed asset investments	
	Company	Shares in group undertakings
		£
	Cost or valuation	
	At 1 January 2019	4,631
	Additions	21,368
	At 31 December 2019	<u>25,999</u>
	Carrying amount	
	At 31 December 2019	<u>25,999</u>
	At 31 December 2018	<u><u>4,631</u></u>

On 25th March 2019 the company incorporated a new subsidiary in Germany, MRN Medical Research Network GmbH as part of its growth expansion into new geographic regions.

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Medical Research Network Limited	Talon House, Presley Way, Crownhill, Milton Keynes, Bucks. MK8 0ES	Provision of clinical trials	Ordinary	100	0
Medical Research Network Spain SL	Lope de Haro, 3, Piso 1 B, 28039 Madrid, Spain	Provision of clinical trials	Ordinary	100	0
MRN Inc	501 Silverside Road, STE 82, Wilmington, New Castle, 19809, Delaware USA	Provision of clinical trials	Ordinary	100	0
MRN Medical Research Network GmbH	Koningstrase 10c, 70173 Stuttgart	Provision of clinical trials	Ordinary	100	0

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Subsidiaries

(Continued)

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Medical Research Network Limited	29,102	(228,048)
Medical Research Network Spain SL	13,169	20,314
MRN Inc	200,922	248,575
MRN Medical Research Network GmbH	5,616	26,984

The investments in subsidiaries are all stated at cost.

17 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	10,184	5,948	-	-

18 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	4,783,219	3,676,770	1,760,586	1,624,916
Equity instruments measured at cost less impairment	-	-	25,999	4,631
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	-	355,446	-	-
Measured at amortised cost	4,242,980	2,856,315	26,637	4,343

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Debtors	Group 2019	2018	Company 2019	2018
Amounts falling due within one year:	£	£	£	£
Trade debtors	4,620,602	3,158,102	-	-
Corporation tax recoverable	79,808	79,007	-	-
Amounts due from subsidiary undertakings	-	-	1,745,586	1,624,916
Other debtors	284,269	641,658	15,000	-
Prepayments and accrued income	387,162	244,337	-	-
	<u>5,371,841</u>	<u>4,123,104</u>	<u>1,760,586</u>	<u>1,624,916</u>
Deferred tax asset (note 25)	55	55	55	55
	<u>5,371,896</u>	<u>4,123,159</u>	<u>1,760,641</u>	<u>1,624,971</u>
Amounts falling due after more than one year:				
Other debtors	13,858	-	-	-
Prepayments and accrued income	336	88	-	-
	<u>14,194</u>	<u>88</u>	<u>-</u>	<u>-</u>
Total debtors	<u>5,386,090</u>	<u>4,123,247</u>	<u>1,760,641</u>	<u>1,624,971</u>

In the prior year a deferred tax asset totalling £65,969 was not recognised in respect of tax losses of £588,061, retirement benefits of £28,199 and accelerated capital allowances of £269,054.

Amounts due from group undertakings are unsecured, repayable on demand and free from interest charges.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Obligations under finance leases	22	43,292	-	-	-
Other borrowings	23	281,934	911,633	-	-
Trade creditors		2,357,536	1,509,216	-	-
Corporation tax payable		9,649	12,786	-	-
Other taxation and social security		135,027	131,456	240	165
Derivative financial instruments		-	355,446	-	-
Deferred income	24	332,658	214,593	-	-
Other creditors		237,816	206,945	24,025	2,657
Accruals and deferred income		1,214,837	228,521	2,612	1,686
		<u>4,612,749</u>	<u>3,570,596</u>	<u>26,877</u>	<u>4,508</u>

21 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Obligations under finance leases	22	57,009	-	-	-
Other borrowings	23	50,556	-	-	-
		<u>107,565</u>	<u>-</u>	<u>-</u>	<u>-</u>

22 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Within one year	43,292	-	-	-
In two to five years	57,009	-	-	-
	<u>100,301</u>	<u>-</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Other loans	97,223	-	-	-
Directors loans	112,233	105,278	-	-
Factoring loans	235,267	911,633	-	-
	<u>444,723</u>	<u>1,016,911</u>	<u>-</u>	<u>-</u>
Payable within one year	394,167	1,016,911	-	-
Payable after one year	<u>50,556</u>	<u>-</u>	<u>-</u>	<u>-</u>

Factoring loans amounting to £235,267, (2018: £911,633) are secured by way of a fixed and floating charge over the group's current and future assets.

Factoring loans are repaid following sales receipts being received into the group.

Director's loans are not subject to any formal agreement.

Other loans totalling £97,223 (2018: £0) are not subject to any security.

24 Deferred income

	Group 2019 £	2018 £	Company 2019 £	2018 £
Other deferred income	<u>332,658</u>	<u>214,593</u>	<u>-</u>	<u>-</u>
Deferred income is included in the financial statements as follows:				
Current liabilities	<u>332,658</u>	<u>214,593</u>	<u>-</u>	<u>-</u>
	<u>332,658</u>	<u>214,593</u>	<u>-</u>	<u>-</u>

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

25 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Group				
Accelerated capital allowances	69,329	-	-	-
Tax losses	(5,567)	-	-	-
Retirement benefit obligations	(7,539)	-	55	55
	<u>56,223</u>	<u>-</u>	<u>55</u>	<u>55</u>
	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Company				
Retirement benefit obligations	-	-	55	55
	<u>-</u>	<u>-</u>	<u>55</u>	<u>55</u>
			Group 2019 £	Company 2019 £
Movements in the year:				
Asset at 1 January 2019			(55)	(55)
Charge to profit or loss			56,223	-
Liability/(Asset) at 31 December 2019			<u>56,168</u>	<u>(55)</u>

The deferred tax liability set out above is expected to reverse within 6 years and relates mainly to accelerated capital allowances, offset by losses carried forward and retirement benefits.

The deferred tax asset set out above is expected to reverse within 1 year and relates to retirement benefits in the company.

At the balance sheet date the group had unused tax losses totalling £29,297, (2018: £588,061).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Retirement benefit schemes

	2019	2018
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	553,156	304,881

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At the balance sheet date the group had a pension liability amounting to £49,040, (2018: £41.298).

27 Share-based payment transactions

The company has entered into an equity settled share based payment plan certain group employees.

In accordance with FRS 102 transition exemptions applicable to the company at the date of transition, the company is not required to disclose liabilities arising from equity instruments granted prior to the first reporting period in which the company adopted FRS 102. Therefore, no liabilities are recognised for equity instruments granted before 1st November 2015.

The group has not granted any equity options after 1st November 2015 and therefore there is no liability recognised in respect of share based payments.

Group and company	Number of share options		Weighted average exercise price	
	2019 Number	2018 Number	2019 £	2018 £
Outstanding at 1 January 2019 and 31 December 2019	5,354	-	0.01	-
Exercisable at 31 December 2019	3,774	-	0.01	-

The options outstanding at 31 December 2019 had an exercise price of £0.01 per share, and a remaining contractual life between 3 and 6 years.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

28 Share capital

	Group and company	
	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
32,700 A Preferred shares of 1p each	327	327
19,467 B Ordinary shares of 1p each (2018: 19,617)	195	197
96,683 C Ordinary shares of 1p each	966	966
	<hr/>	<hr/>
	1,488	1,490
	<hr/> <hr/>	<hr/> <hr/>

The company has 3 classes of shares as follows:

- A Preferred shares
- B Ordinary shares
- C Ordinary shares

The B Ordinary shares do not carry any voting rights. The A Preferred shares and Ordinary C shares rank equally for voting rights.

All classes rank equally for any dividend declared.

Each A Preferred share ranks in priority to any other class of share for any distributions made on winding up or other distribution of capital.

No class of share is redeemable.

As noted in the directors' report, during the year the company acquired and cancelled 150 ordinary B shares for £4,001 cash consideration.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

29 Share premium account

	Group 2019 £	2018 £	Company 2019 £	2018 £
At beginning and end of year	1,570,497	1,570,497	1,475,017	1,475,017

Share premium represents the premium arising on issue of equity shares, net of issue costs.

30 Capital redemption reserve

	Group 2019 £	2018 £	Company 2019 £	2018 £
At beginning of year	200	200	200	200
Transfers	2	-	2	-
At end of year	202	200	202	200

The capital redemption reserve represents the share capital at par which has been re-purchased by the company.

31 Profit and loss reserves

	Group 2019 £	2018 £	Company 2019 £	2018 £
At the beginning of the year	(154,075)	927,280	148,387	663
Profit/(loss) for the year	737,078	(795,355)	488,269	433,724
Dividends	(349,600)	(286,000)	(349,600)	(286,000)
Own shares acquired	(4,000)	-	(4,000)	-
At the end of the year	229,403	(154,075)	283,056	148,387

The profit and loss reserve represents all current and prior period cumulative profits and losses.

32 Financial commitments, guarantees and contingent liabilities

The group has in prior years purchased forward foreign currency contracts to hedge currency exposure on firm future commitments. No such agreements were entered into in 2019.

There were not commitments outstanding at the balance sheet date.

At 31 December 2018 the company had agreed to buy \$10,500,000 at £7,413,530.57.

MRN INFLECTION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

33 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its properties & cars.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	248,668	271,211	-	-
Between two and five years	149,037	271,340	-	-
	<u>397,705</u>	<u>542,551</u>	<u>-</u>	<u>-</u>

34 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, some of whom are also directors, is as follows.

	2019 £	2018 £
Aggregate compensation	<u>649,839</u>	<u>578,883</u>

No guarantees have been given or received.

World Courier Management Limited is a minority shareholder with preferential shares in the company. The group trades with members of the World Courier Group under normal market conditions.

During the year the group purchased goods and services from the World Courier Group totalling £2,806,150 (2018: £2,315,305). At the balance sheet date a purchase ledger balance of £582,489 (2018: £354,063) was outstanding and held in creditors. Also at the balance sheet date an amount of £90,000 (2018: £32,500) was due to the group from the World Courier Group in respect of rebate credits receivable by the group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

35 Directors' transactions

Dividends totalling £349,600 (2018: £286,000) were paid in the year in respect of shares held by the company's directors.

During the year Dr G Wylie charged the company interest totalling £1,246, (2018: £1,734) on loans to the company. At the balance sheet date the company owed Dr G Wylie £112,233, (2018: £105,278).

Included in trade creditors are amounts owing to the directors for expenses paid on behalf of the company totalling £0, (2018 : £952).

It is expected that the loan will be repaid within the next 12 months with interest charged of 2%.

36 Controlling party

The ultimate controlling party is director Dr G Wylie by virtue of his majority family shareholding in the company.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

37 Events after the reporting date

During the financial year the company negotiated and agreed the option to acquire and cancel shares belonging to a minority shareholder. The contracts were formally signed in February 2020.

If the option is exercised this will result in the following transactions:

Year ended 31st December 2020:

Acquisition of 1,862 ordinary B shares for consideration of £174,740.20

Year ended 31st December 2021:

Acquisition of 1,862 ordinary B shares for consideration estimated in the region of £174,740.20

Year ended 31st December 2022:

Acquisition of 1,861 ordinary B shares for consideration estimated in the region of £174,740.20

The company will fund these transactions from profits generated from management activities and if required, dividends from its subsidiaries.

At the date of signing these accounts the company has also entered into a discussion with another shareholder with regard to a company purchase of their shares. at this stage it is too early to reliably state the purchase price, timing or probability of this transaction.

On 11th March 2020, the World Health Organisation declared the Coronavirus disease a global pandemic which has resulted in unprecedented economic consequences. The directors have considered the impact of this in their going concern assessment and determined that it doesn't create a material uncertainty for the group

Additionally and in line with the group's planned growth, the group has entered into the following significant post balance sheet events:

- Director funding

In February 2020 a loan of £175,000 has been made to the group from a director at an interest rate of 2% above the base rate of Barclays Bank Plc.

38 Cash generated from operations - company

	2019	2018
	£	£
Profit for the year after tax	488,269	433,724
Adjustments for:		
Taxation charged	25	-
Movements in working capital:		
Increase in debtors	(135,670)	(81,435)
Increase in creditors	22,369	2,721
Cash generated from operations	<u>374,993</u>	<u>355,010</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

39 Cash generated from group operations	2019	2018
	£	£
Profit/(loss) for the year after tax	737,078	(795,355)
Adjustments for:		
Taxation charged/(credited)	100,424	(11,327)
Finance costs	126,073	101,120
Investment income	(10)	(6)
Loss on disposal of tangible fixed assets	15,446	-
Fair value gains and losses on foreign exchange contracts and investment properties	-	442,324
Amortisation and impairment of intangible assets	77,473	31,969
Depreciation and impairment of tangible fixed assets	205,981	194,459
Movements in working capital:		
(Increase)/decrease in stocks	(4,236)	7,233
(Increase) in debtors	(1,262,042)	(532,221)
Increase/(decrease) in creditors	1,869,078	(147,650)
Increase/(decrease) in deferred income	118,065	(37,483)
Cash generated from/(absorbed by) operations	1,983,330	(746,937)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.