

Registered number: 01548633

GLADSTONE MRM LIMITED

UNAUDITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



GLADSTONE MRM LIMITED

COMPANY INFORMATION

Directors	D P Boxall S R Saklad T Withers
Company secretary	J Belghoul
Registered number	01548633
Registered office	Gladstone House Hithercroft Road Wallingford Oxfordshire OX10 9BT

GLADSTONE MRM LIMITED

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GLADSTONE MRM LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors present the Strategic Report and Financial Statements for the year ended 31 December 2020.

Business review

As wholly owned subsidiaries, the Group benefits from the operational and financial support of its ultimate parent and its intermediate parent company, Gary Jonas Computing Ltd ("Jonas"). Jonas is the leading provider of enterprise management software solutions to the Club, Leisure Fitness and Sports, Salon and Spa, Foodservice, Construction, Attractions, Metal Service Centres, Moving and Storage, Education, Hotel and Hospitality, Camps, Event Management, Radiology/Laboratory Information Systems, Consumer Product Licensing, Payment Processing, Dynamic Case Management, Wine POS, Marina, Manufacturing, Managed Print Services, Legal, Email Marketing, Elevator Maintenance, Early Intervention, Medical Technology and Retail industries.

Principal risks and uncertainties

The impact of COVID-19 pandemic on the sector has been significant to the operators with reduced capacity to deliver lessons and courses, along with seeing an increase in the general public being active away from a traditional health clubs or leisure centres whilst they were forced to be closed. This creates both an opportunity and a threat to the sector, with the need to diversifying the traditional bricks and mortar model of the industry to take advantage of the hybrid model for in facility and home workouts. During lockdowns a number of new features in this field to support operators were launched and uptake has increased as the industry reopens. The Home workout revolution also creates new competitors in the market for members with online and app providers providing software to help the general public be active, however the view is that this new world of home exercising will not reduce the penetration the sector has, but provides an opportunity for more members of the general public to be active.

The public sector is seeing a shift with leisure operation contracts coming back inhouse from third party operators and further closures in the private and public sectors for the less profitable sites. The businesses have benefited from public sector operations moving back inhouse with increased project spend. Operator competition with low-cost operators and new boutique clubs continue, although these are generally built around places of work, therefore the industry is yet to see the true impact here with more people working from home.

There have been new entrants into the software space with two key suppliers this year: One focusing on the private sector and the other on the public. To counter this, Gladstone has created a range of products over the last 12 months to secure their market position. This in turn has created new modules and fees to the operators, increasing revenue.

Gladstone continues to be the dominant player in the market with both new business sales and selling back to existing customers remaining strong. The strategic development plan is focused towards new applications, whilst continuing to service existing customers' needs has aided the strong sales performance. The COVID-19 pandemic has seen requirements to pivot quickly to focus on new features and functions that will aid the sector's recovery and open up new revenue opportunities. The business is well positioned and structured to respond quickly in an agile way and leverage these opportunities. This agile response continues with an increased level of long-term contracts with existing customers in response to any financial assistance they requested through any lockdown period. These contracts go further to strengthen Gladstone's position in the market.

GLADSTONE MRM LIMITED**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****Key Performance Indicators**

In alignment with group policy, the Company considers its Key Performance Indicators ("KPIs") to be those which drive shareholder value, namely Net Revenue Growth ("NRG") and Profitability.

	2020	2019	2018
Growth in Gross Profit	12%	(3)%	12%
Profit before tax	1,761,976	753,964	883,145
Less Intellectual Property recharge to Parent Company	2,186,998	2,028,161	1,883,877
Adjusted Profit before tax	3,948,974	2,782,125	2,767,022

Profit before tax has increased during the year due to the increase in revenue from new products and back to base sales, and also ensuring costs remain minimal during the pandemic.

Profit before tax in 2019 is stated excluding the exceptional impairment of amounts owed by group undertakings of £272,665.

In addition to the above KPIs, the Company also pays close attention to its net current assets position. Jonas requires that the Company is party to a central corporate treasury function which allows the group to centrally manage its liquidity and financial risks whilst ensuring capital is deployed globally in the most effective manner. However, this can mean that locally the financial strength of the Company is not necessarily conveyed by the net current asset position when reading these financial statements in isolation. To fully understand the size and strength of the corporate group of which the Company is a part, these financial statements should be read in conjunction with those of Constellation Software Inc..

Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Directors have reviewed the working capital requirements of the Company for a period of at least 12 months from the anticipated date of signing of the financial statements and are satisfied that the Company will be able to meet its liabilities as they fall due.

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

DocuSigned by:

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T Withers
 Director

Date: 8 September 2021

GLADSTONE MRM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activity

The principal activity of the Company continued to be that of the provision of software and services in connection with the supply of leisure management solutions.

Results and dividends

The profit for the year, after taxation, amounted to £1,685,439 (2019 - £456,619).

Dividends of £500,000 were paid during the year (2019 - £nil). The Directors do not recommend a payment of a final dividend.

Directors

The Directors who served during the year were:

D P Boxall
S R Saklad
T Withers

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

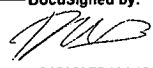
GLADSTONE MRM LIMITED

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

Matters covered in the strategic report

The Directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the Directors consider these are of strategic importance to the Company.

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

DocuSigned by:

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T Withers
Director

Date: 8 September 2021

GLADSTONE MRM LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	12,516,579	11,471,975
Cost of sales		(2,269,578)	(2,350,775)
Gross profit		10,247,001	9,121,200
Administrative expenses		(8,691,547)	(8,367,280)
Exceptional administrative expenses		-	(272,665)
Other operating income		206,706	-
Operating profit	5	1,762,160	481,255
Interest receivable and similar income	8	9	44
Interest payable and expenses		(193)	-
Profit before tax		1,761,976	481,299
Tax on profit	10	(76,537)	(24,680)
Profit for the financial year		1,685,439	456,619

There was no other comprehensive income for 2020 (2019:£nil).

The notes on pages 9 to 29 form part of these financial statements.

GLADSTONE MRM LIMITED
REGISTERED NUMBER: 01548633
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	791,175	-
Tangible assets	14	120,727	219,650
		<u>911,902</u>	<u>219,650</u>
Current assets			
Stocks	15	14,592	29,680
Debtors	16	14,588,847	13,954,199
Cash at bank and in hand	17	21,000	55,674
		<u>14,624,439</u>	<u>14,039,553</u>
Creditors: amounts falling due within one year	18	(9,765,914)	(9,853,092)
Net current assets		<u>4,858,525</u>	<u>4,186,461</u>
Total assets less current liabilities		<u>5,770,427</u>	<u>4,406,111</u>
Creditors: amounts falling due after more than one year	19	(99,968)	-
Deferred Income		(2,615,228)	(2,536,319)
Net assets		<u><u>3,055,231</u></u>	<u><u>1,869,792</u></u>
Capital and reserves			
Called up share capital	22	42,776	42,776
Profit and loss account		3,012,455	1,827,016
		<u><u>3,055,231</u></u>	<u><u>1,869,792</u></u>

GLADSTONE MRM LIMITED
REGISTERED NUMBER: 01548633

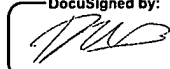
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The Company was entitled to exemption from the requirement to have an audit under section 479A of the Companies Act 2006.

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 and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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T Withers
Director

Date: 8 September 2021

The notes on pages 9 to 29 form part of these financial statements.

GLADSTONE MRM LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	42,776	1,827,016	1,869,792
Comprehensive income for the year			
Profit for the year	-	1,685,439	1,685,439
Dividends: Equity capital	-	(500,000)	(500,000)
At 31 December 2020	42,776	3,012,455	3,055,231

The notes on pages 9 to 29 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	42,776	1,370,397	1,413,173
Comprehensive income for the year			
Profit for the year	-	456,619	456,619
At 31 December 2019	42,776	1,827,016	1,869,792

The notes on pages 9 to 29 form part of these financial statements.

GLADSTONE MRM LIMITED

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

1. General information

Gladstone MRM Limited is a limited liability company incorporated in the United Kingdom. Its registered office is Gladstone House, Hithercroft Road, Wallingford, Oxfordshire, OX10 9BT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- 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 paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A 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

2.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The directors have reviewed the working capital requirements of the Company for a period of at least 12 months from the anticipated date of signing of the financial statements and are satisfied that the Company will be able to meet its liabilities as they fall due.

GLADSTONE MRM LIMITED

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

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

GLADSTONE MRM LIMITED

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

2. Accounting policies (continued)

2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services 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 benefits simultaneously.

Software licenses are recognised on delivery of the software license. When delivery of goods is delayed at the customers' request, and the customer specifically acknowledges the deferred delivery instructions and the usual payment terms apply, revenue is recognised when the customer takes title of the goods.

Consultancy and training revenues provided on a time and material basis are recognised when the service has been performed. For services performed on a fixed price basis, revenue is recognised proportionately to the percentage of planned costs incurred.

Rental payments are recognised in accordance with the substance of the relevant agreement. Maintenance renewals are recognised over the period of which the maintenance contract covers. Where a contract consists of various components that operate independently of each other, the Company recognises revenue for each component as if it were one individual contract.

GLADSTONE MRM LIMITED

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

2. Accounting policies (continued)

2.6 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. A single discount rate has been applied by the Group to portfolios of leases with similar characteristics. The weighted-average rate applied is approximately 2 %.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.15.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

GLADSTONE MRM LIMITED

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

2. Accounting policies (continued)

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

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

2.8 Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Statement of Financial Position and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

2.9 Interest income

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

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Pensions

Defined contribution pension plan

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

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

GLADSTONE MRM LIMITED

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

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.13 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.14 Other intangible assets

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

2.15 Tangible fixed assets

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

GLADSTONE MRM LIMITED

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

2. Accounting policies (continued)

2.15 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Freehold property	- 50 years straight line
Long-term leasehold property	- Over the lease term
Leasehold property improvements	- 5 years straight line
Fixtures and fittings	- 5 years straight line
Computer equipment	- 4 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.19 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

GLADSTONE MRM LIMITED

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

2. Accounting policies (continued)

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.21 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

GLADSTONE MRM LIMITED

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

2. Accounting policies (continued)

2.22 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

GLADSTONE MRM LIMITED

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

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

The preparation of the financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount of values may vary in certain instances from the assumption and estimates made. Changes will be recorded, with corresponding effect in the Statement of Comprehensive Income, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

Deferred tax

The recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future profit for the purposes of determining whether or not to recognise deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes to the measurement of deferred tax assets.

Provisions

In recognising provisions, the company evaluates the extent to which it is possible that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The judgements used to recognise provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts as compared to initial estimates.

Stock

Management estimate that net realisable values of stock, taking into account the most reliable evidence at each reporting date. The future realisation of these inventories may be affected by future technology or other market driven changes that may reduce future selling prices.

Useful economic lives

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation. See note 13 for the carrying amount of the intangible assets and the accounting policies for the useful economic lives for each class of assets.

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the property plant and equipment, and note 2.11 for the useful economic lives for each class of assets.

Debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 16 for the net carrying amount of the receivables.

GLADSTONE MRM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****4. Turnover**

The whole of the turnover is attributable to its principal activity.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	12,203,460	10,662,195
Rest of Europe	278,850	548,754
Rest of the world	34,269	261,026
	<u>12,516,579</u>	<u>11,471,975</u>

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Profit on sale of tangible assets	(17,132)	-
Impairment of amounts owed by group undertakings	-	272,665
Depreciation of tangible fixed assets	11,022	13,242
Exchange differences	50,811	14,978
Defined contribution pension cost	150,345	155,246
Government grants	<u>(206,706)</u>	<u>-</u>

GLADSTONE MRM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****6. Employees**

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

	2020 £	2019 £
Wages and salaries	3,944,595	4,769,542
Social security costs	529,489	536,141
Cost of defined contribution scheme	150,345	155,246
	<u>4,624,429</u>	<u>5,460,929</u>

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

	2020 No.	2019 No.
Professional services	18	22
Maintenance	20	23
Research and development	26	31
Sales and marketing	13	15
General and administration	18	60
	<u>95</u>	<u>151</u>

7. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	185,846	100,797
Directors pension costs	5,848	3,328
	<u>191,694</u>	<u>104,125</u>

During the year retirement benefits were accruing to 1 Director (2019 - 1) in respect of defined contribution pension schemes.

GLADSTONE MRM LIMITED

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

8. Interest receivable

	2020 £	2019 £
Other interest receivable	9	44
	<u>9</u>	<u>44</u>

9. Interest payable and similar expenses

	2020 £	2019 £
Interest on lease liabilities	193	-
	<u>193</u>	<u>-</u>

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	118,353	120,536
Adjustments in respect of previous periods	(3,582)	(141,395)
Total current tax	<u>114,771</u>	<u>(20,859)</u>
Deferred tax		
Origination and reversal of timing differences	(269)	45,539
Changes to tax rates	(596)	-
Adjustments in respect of previous periods	(37,369)	-
Total deferred tax	<u>(38,234)</u>	<u>45,539</u>
Taxation on profit on ordinary activities	<u>76,537</u>	<u>24,680</u>

GLADSTONE MRM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****10. Taxation (continued)****Factors affecting tax charge for the year**

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

	2020 £	2019 £
Profit on ordinary activities before tax	<u>1,761,976</u>	<u>481,299</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	334,775	143,253
Effects of:		
Expenses not deductible for tax purposes	4,194	25,443
Capital allowances for year in excess of depreciation	854	(7,826)
Adjustments to tax charge in respect of prior periods	(40,951)	(141,395)
Short term timing difference leading to an increase (decrease) in taxation	(3,816)	45,539
Adjustment in research and development tax credit leading to a decrease in the tax charge	(48,600)	(40,334)
Changes in tax rate leading to an increase (decrease) in the tax charge	(596)	-
Deferred tax not recognised	(150,323)	-
Other differences leading to an increase /(decrease) in the tax charge	(19,000)	-
Total tax charge for the year	<u><u>76,537</u></u>	<u><u>24,680</u></u>

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The change is not expected to have a material impact.

11. Dividends

	2020 £	2019 £
Dividend paid	500,000	-
	<u><u>500,000</u></u>	<u><u>-</u></u>

GLADSTONE MRM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****12. Exceptional items**

	2020 £	2019 £
Impairment of amounts owed by group undertakings	-	272,665
	<u>-</u>	<u>272,665</u>
	<u><u>-</u></u>	<u><u>272,665</u></u>

13. Intangible assets

	Develop- ment expenditure £
Cost	
Additions - external	791,175
At 31 December 2020	<u>791,175</u>
Net book value	
At 31 December 2020	<u><u>791,175</u></u>
At 31 December 2019	<u><u>-</u></u>

GLADSTONE MRM LIMITED

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

14. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Leasehold improve- ments £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2020	245,200	-	78,337	105,272	235,085	663,894
Additions	-	106,223	-	-	12,253	118,476
Disposals	(245,200)	-	-	-	-	(245,200)
At 31 December 2020	-	106,223	78,337	105,272	247,338	537,170
Depreciation						
At 1 January 2020	34,328	-	78,337	97,472	234,107	444,244
Charge for the year on owned assets	4,495	-	-	4,029	1,233	9,757
Charge for the year on right-of-use assets	-	1,265	-	-	-	1,265
Disposals	(38,823)	-	-	-	-	(38,823)
At 31 December 2020	-	1,265	78,337	101,501	235,340	416,443
Net book value						
At 31 December 2020	-	104,958	-	3,771	11,998	120,727
At 31 December 2019	210,872	-	-	7,800	978	219,650

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2020 £	2019 £
Tangible fixed assets owned	15,769	219,650
Right-of-use tangible fixed assets	104,958	-
	<u>120,727</u>	<u>219,650</u>

GLADSTONE MRM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****14. Tangible fixed assets (continued)**

Information about right-of-use assets is summarised below:

Net book value

	2020 £	2019 £
Property	104,958	-
	<u>104,958</u>	<u>-</u>

Depreciation charge for the year ended

	2020 £	2019 £
Property	(1,265)	-
	<u>(1,265)</u>	<u>-</u>

15. Stocks

	2020 £	2019 £
Finished goods and goods for resale	14,592	29,680
	<u>14,592</u>	<u>29,680</u>

Stock recognised in cost of sales during the year as an expense was £ 501,284 (2019: £579,606)

GLADSTONE MRM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****16. Debtors**

	2020 £	2019 £
Trade debtors	1,533,840	1,023,425
Amounts owed by group undertakings	12,444,205	12,447,555
Other debtors	257,394	215,266
Prepayments and accrued income	173,297	262,890
Amounts recoverable on long term contracts	136,814	-
Deferred taxation	43,297	5,063
	<u>14,588,847</u>	<u>13,954,199</u>

17. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	21,000	55,674
	<u>21,000</u>	<u>55,674</u>

18. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	88,856	67,846
Amounts owed to group undertakings	7,742,729	8,138,445
Other taxation and social security	988,531	391,822
Obligations under finance lease and hire purchase contracts	15,858	-
Other creditors	95,566	60,319
Accruals	834,369	1,194,659
	<u>9,765,909</u>	<u>9,853,091</u>

Jonas requires that the Company is party to a central corporate treasury function which allows the group to centrally manage its liquidity and financial risks whilst ensuring capital is deployed globally in the most effective manner. However, this can mean that locally the financial strength of the Company is not necessarily conveyed by the net current asset position when reading these financial statements in isolation. To fully understand the size and strength of the corporate group of which the Company is a part, these financial statements should be read in conjunction with those of Constellation Software Inc..

GLADSTONE MRM LIMITED

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

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

	2020 £	2019 £
Lease liabilities	99,968	-
	<u>99,968</u>	<u>-</u>

20. Deferred taxation

	2020 £	2019 £
At beginning of year	5,063	50,602
Utilised in year	38,234	(45,539)
At end of year	<u>43,297</u>	<u>5,063</u>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	38,621	5,063
Pension surplus	4,676	-
	<u>43,297</u>	<u>5,063</u>

GLADSTONE MRM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****21. Leases****Company as a lessee**

On 18 November 2020 the Company sold the freehold property at Unit 4 Springhill Parkway, Glasgow for £240,000. On the same date the Company entered into a lease with the new owner of the property for part of the premises. The lease is for a period of 7 years ending in November 2027.

Lease liabilities are due as follows:

	2020 £	2019 £
Not later than one year	15,858	-
Between one year and five years	99,968	-
	<u>115,826</u>	<u>-</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2020 £	2019 £
Interest expense on lease liabilities	<u>193</u>	<u>-</u>

GLADSTONE MRM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****22. Share capital**

	2020	2019
	£	£
Allotted, called up and fully paid		
48,331 (2019 - 48,331) A Ordinary shares shares of £0.75 each	36,248	36,248
26,112 (2019 - 26,112) B Ordinary shares shares of £0.25 each	6,528	6,528
	<hr/> 42,776 <hr/>	<hr/> 42,776 <hr/>

The A and B shares rank pari passu in all respects except that the B ordinary shares are not entitled to the payment of dividends.

23. Contingent liabilities

In the event that bank indebtedness arises in the ultimate parent undertaking, Constellation Software Inc., it is secured by means of an unlimited guarantee and debenture over the assets of the Company and other group undertakings.

24. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £150,345 (2019: £155,246). Contributions totalling £58,265 (2019: £nil) were payable to the fund at the end of the year end date.

25. Related party transactions

As permitted by FRS 101, related party transactions with wholly owned members of Constellation Software Inc. have not been disclosed.

26. Controlling party

The immediate parent company is Gladstone Limited, a company incorporated in England and Wales. This is the smallest group in which the results are consolidated. These financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The largest and smallest group in which the results are consolidated is that headed by Constellation Software Inc. Constellation Software Inc. is also the ultimate controlling party of the Company. The consolidated accounts of Constellation Software Inc. are available to the public and may be obtained from Gary Jonas Computing Ltd, 8133 Warden Ave, Suite 400, Markham, Ontario, Canada, L6G 1B3.