

Company Registration No. 11191061 (England and Wales)

MXLG INTERMEDIATE HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

WEDNESDAY



A98UXF8R

A12

08/07/2020

#206

COMPANIES HOUSE

MXLG INTERMEDIATE HOLDINGS LIMITED

COMPANY INFORMATION

Directors S Zhang
A C Weaver
P J A Kelly
S Vakilian

Secretary Beach Secretaries Limited

Company number 11191061

Registered office The Walbrook Building
25 Walbrook
London
EC4N 8AF

Auditor RSM UK Audit LLP
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

MXLG INTERMEDIATE HOLDINGS LIMITED

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

During the year, the company acquired 100% of the share capital of Koris Communications Group Limited and PTCA Newco Limited for a total consideration of £9.808m and £3.533m respectively. These transactions were part of the overall strategy of the group of building a UK focused IT services business of scale.

In order to finance the acquisitions, the company obtained bank loans of £10m repayable in October 2023 and issued 4.9m of new ordinary shares for consideration of £1 per share.

The company operates as an intermediary holding company. As such, during the year the company generated dividend income of £1.8m (2018: £nil) and management fee income of £0.3m (2018: £0.1m) from subsidiaries and incurred transaction related professional fees and ongoing management service fees.

The cash balance of £45k (2018: £47k) remained stable and net assets position improved from £(0.4m) to £5.6m.

Principal risks and uncertainties

As the company acts as an intermediary holding company there are no specific risks and uncertainties relevant to the company.

The company's investment activities are funded by its parent and bank borrowings. The interest rate risk is mitigated through the use of interest rate swap instruments.

Operating risks of the acquired businesses (SICL Limited, Koris Communications Group Limited and PTCA Newco Limited) are managed by the board of each business.

Key performance indicators

As the company acts as an intermediary holding company there are no key performance indicators relevant to the company.

On behalf of the board



S Zhang
Director

Date: 2 July 2020

MXLG INTERMEDIATE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

The principal activity of the company continued to be that of a holding company.

Directors

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

S Zhang

A C Weaver

A V Salvato

(Resigned 13 March 2019)

P J A Kelly

S Vakilian

(Appointed 13 March 2019)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Matters of strategic importance

Information is not shown within the Directors' Report as it is instead included within the Strategic Report on page 1 under S414c(11).

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Post reporting date events

Since February 2020, the coronavirus, COVID-19, has spread globally. The consequences of the virus, which includes placing people in isolation, have already significantly impacted consumption and the global economy.

Management does not expect the company's results to be affected by this situation due to the nature of its activities as a holding company.

Auditor

RSM UK Audit LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of disclosure to auditor

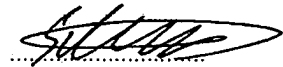
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves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

MXLG INTERMEDIATE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board



S Zhang
Director

Date: 2 July 2020

MXLG INTERMEDIATE HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MXLG INTERMEDIATE HOLDINGS LIMITED

Opinion

We have audited the financial statements of MXLG Intermediate Holdings Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MXLG INTERMEDIATE HOLDINGS LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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.

RSM UK Audit LLP

Andrew Allchin FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds

LS1 4DL
3 July 2020

MXLG INTERMEDIATE HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019 £	Period ended 31 December 2018 £
	Notes		
Turnover	3	1,760,880	-
Administrative expenses	5	(466,751)	(284,270)
Other operating income		280,000	70,000
Exceptional costs	4	-	(194,555)
Operating profit/(loss)		1,574,129	(408,825)
Interest receivable and similar income	7	5,248	733
Interest payable and similar expenses	8	(452,768)	-
Profit/(loss) before taxation		1,126,609	(408,092)
Tax on profit/(loss)	9	-	-
Profit/(loss) for the financial year		1,126,609	(408,092)

There were no items of other comprehensive income in the current or preceding period. Accordingly no statement of other comprehensive income has been prepared.

MXLG INTERMEDIATE HOLDINGS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Fixed assets			
Investments	10	24,389,871	11,049,303
Current assets			
Debtors	12	3,848,686	196,027
Cash at bank and in hand		45,266	47,440
		3,893,952	243,467
Creditors: amounts falling due within one year	13	(12,659,232)	(11,700,861)
Net current liabilities		(8,765,280)	(11,457,394)
Total assets less current liabilities		15,624,591	(408,091)
Creditors: amounts falling due after more than one year	14	(10,006,073)	-
Net assets/(liabilities)		5,618,518	(408,091)
Capital and reserves			
Called up share capital	16	49,001	1
Share premium account	17	4,851,000	-
Profit and loss reserves	17	718,517	(408,092)
Total equity		5,618,518	(408,091)

The financial statements were approved by the board of directors and authorised for issue on 2 July 2020 and are signed on its behalf by:



S Zhang
Director

MXLG INTERMEDIATE HOLDINGS LIMITED

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

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 6 February 2018		-	-	-	-
Period ended 31 December 2018:					
Loss and total comprehensive income for the period		-	-	(408,092)	(408,092)
Issue of share capital	16	1	-	-	1
Balance at 31 December 2018		1	-	(408,092)	(408,091)
Period ended 31 December 2019:					
Profit and total comprehensive income for the period		-	-	1,126,609	1,126,609
Issue of share capital	16	49,000	4,851,000	-	4,900,000
Balance at 31 December 2019		49,001	4,851,000	718,517	5,618,518

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

MXLG Intermediate Holdings Limited (the 'company') is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The registered office is The Walbrook Building, 25 Walbrook, London, EC4N 8AF.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with Financial Reporting Standard 101: "Reduced Disclosure Framework" ("FRS 101").

In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. These financial statements state the amounts relating to the company only.

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, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Reduced disclosures

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the group accounts of the parent, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Financial instrument disclosures, including:
 - Carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments;
 - Income, expenses, gains and losses on financial instruments;
- Disclosure of key management personnel compensation;
- Related party disclosures for transactions with the parent or wholly owned members of the group; and
- Disclosure of the objectives, policies and processes for managing capital.

The financial statements of the company are consolidated into the financial statements of MXLG Acquisitions Limited. The consolidated financial statements of MXLG Acquisitions Limited are available from its registered office, The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF.

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Going concern

The company has made a profit for the period of £1.1m and has net current liabilities of £8.8m at 31 December 2019. The directors have carried out a detailed review of the forecasts for the 12 months after the signing date of the financial statements, with due regard for the risks and uncertainties to which the business is exposed, including the current market conditions explained in the directors' report, as well as available mitigating actions such as controlling certain expenditures.

As highlighted in the directors' report, the company's investments have continued to operate and trade profitably during the COVID-19 pandemic. In reviewing any forecasts and budgets, the directors have addressed and incorporated any potential impacts from the pandemic that they consider could impact on operational results.

Cash generation continue to be strong during the COVID-19 pandemic. In addition, the company has access to undrawn committed revolving credit facilities of £5m from its bankers.

After making enquiries and considering the above facts, the directors therefore reasonably expect that the company has adequate resources to continue to operate for at least 12 months after the signing date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would be required if the company was unable to continue as a going concern.

Reporting period

In the prior period, the company presented its financial statements for the 11 months to 31 December 2018. This was chosen in order to bring its accounting reference date in line with that of other group members. Therefore, the current period of accounts, covering the 12 months to 31 December 2019, is not directly comparable.

Exceptional costs

Exceptional costs are material items which derive from events or transactions that do not fall within the ordinary activities of the group and which individually, or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. The company has used the exceptional items category in the income statement to classify expenses relating to aborted acquisition costs on the basis that these expenses are not viewed as inherent to its recurring activities.

Turnover

Dividend income from the company's investments in subsidiaries is recognised when the company's right to receive payment is established.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

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

Impairment of fixed assets

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset.

Value in use is the present value of the estimated future cash flows of the asset. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset whose impairment is being measured.

Financial instruments

Recognition of financial instruments

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Initial and subsequent measurement of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the company with maturities of less than three months.

Other debtors and intercompany debtors

Other debtors and intercompany debtors are initially measured at fair value plus transaction costs.

Debtors that are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these debtors are subsequently measured at amortised cost using the effective interest rate method.

Other financial assets

Other financial assets, including trade investments, 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

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

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 company 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.

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Financial liabilities and equity

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 company after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities

Basic financial liabilities, including trade and other creditors, amounts owed to group undertakings and bank loans 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.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party. When there is no reasonable expectation of recovering a financial asset it is derecognised ('written off'). The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

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.

The company enters into interest rate swaps in order to manage its exposure to interest rate risk.

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Taxation

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of temporary differences arising from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets are recognised only to the extent that the company considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

2 Judgements and key sources of estimation uncertainty

In the application of the company'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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of investments

The company reviews the carrying value of its investments for indications of impairment at each period end. If indicators of impairment exist, the carrying value of the asset is subject to further testing to determine whether its carrying value exceeds its recoverable amount. See note 10 for the carrying amount of investments.

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue

	2019	2018
	£	£
Other revenue		
Dividends received	1,760,880	-

4 Exceptional costs/(income)

	Year ended 31 December 2019	Period ended 31 December 2018
	£	£
Legal and professional fees	-	194,555

In the prior period, the company incurred exceptional costs of £194,555 in relation to legal and professional fees on aborted investment acquisitions.

5 Analysis of expenses by nature

	Year ended 31 December 2019	Period ended 31 December 2018
	£	£
Audit fees	3,800	7,550
Management charges	391,081	273,849
Legal and professional fees	71,402	2,777
Other operating expenses	468	94
Total cost of sales and administrative expenses	466,751	284,270

6 Employees

The company had no employees during the period.

The directors of the company are remunerated through the company's ultimate controlling parties and receive no remuneration specifically for their services to the company.

7 Interest receivable and similar income

	Year ended 31 December 2019	Period ended 31 December 2018
	£	£
Interest income		
Interest on bank deposits	5,248	733

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

8 Interest payable and similar expenses

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Interest on bank loans	311,487	-
Debt arrangement fees	78,486	-
Fees on bank loans	50,548	-
Loss on interest rate swap	12,247	-
	<u>452,768</u>	<u>-</u>

9 Taxation

The total tax charge for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit/(loss) before taxation	<u>1,126,609</u>	<u>(408,092)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	214,056	(77,537)
Tax effect of expenses that are not deductible in determining taxable profit	11,372	36,965
Group relief	109,139	40,572
Dividend income	<u>(334,567)</u>	<u>-</u>
Taxation charge for the period	<u>-</u>	<u>-</u>

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	11	24,389,871	11,049,303

Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2019	11,049,303
Additions	13,340,568
At 31 December 2019	24,389,871
Carrying amount	
At 31 December 2019	24,389,871
At 31 December 2018	11,049,303

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11 Subsidiaries

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

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
SICL Limited	1	Provision of IT services and solutions to business customers	Ordinary and Preference	100.00	-
Koris Communications Group Limited	2	Intermediate holding company	Ordinary	100.00	-
PTCA Newco Limited	3	Intermediate holding company	Ordinary	100.00	-
Koris Limited	2	Provision of managed communications	Ordinary	-	100.00
365 ITMS Limited	4	Information and technology services	Ordinary	-	100.00
Deverill Group Limited	4	Dormant	Ordinary	-	100.00
Deverill Limited	4	Dormant	Ordinary	-	100.00

Registered Office addresses:

- 1 Unit 15 Pavillion Business Park, Royds Hall Road, Leeds, England, LS12 6AJ.
- 2 8 Groveslands Business Centre, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7TE.
- 3 The Anchorage, 34 Bridge Street, Reading, Berkshire, RG1 2LU.
- 4 Napoleon House 7 Riseley Buisness Park, Basingstoke Road, Riseley, Reading, United Kingdom, RG7 1NW.

During the year the company acquired 100% of share capital of Koris Communication Group Limited and PTCA Newco Limited for a total consideration of £9.808m and £3.533m. The transactions were funded by the issue of share capital and bank loan borrowings.

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	3,392,000	-
Other debtors	5,391	44,347
Prepayments and accrued income	451,295	151,680
	<u>3,848,686</u>	<u>196,027</u>

The amounts due from group undertakings are unsecured, interest free and repayable on demand.

13 Creditors: amounts falling due within one year

	Notes	2019	2018
		£	£
Bank loans	15	110,504	-
Trade creditors		45,893	473,738
Amounts owed to group undertakings		10,311,265	11,031,749
Derivative financial instruments ⁴		6,174	-
Other creditors		1,800,000	-
Accruals and deferred income		385,396	195,374
		<u>12,659,232</u>	<u>11,700,861</u>

The amounts due to group undertakings are unsecured, interest free and repayable on demand.

Other creditors relates to contingent consideration that is payable within 12 months. Due to the short term nature of the creditor, discounting has not been applied to the contingent consideration, as in the directors' opinion this would be immaterial.

Derivative financial instruments relate to an interest rate swap on a notional amount of £10m which matures on 15 April 2021.

14 Creditors: amounts falling due after more than one year

	Notes	2019	2018
		£	£
Bank loans	15	10,000,000	-
Derivative financial instruments		6,073	-
		<u>10,006,073</u>	<u>-</u>

Derivative financial instruments relate to an interest rate swap on a notional amount of £10m which matures on 15 April 2021.

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Borrowings

	2019 £	2018 £
Bank loans	10,110,504	-
Payable within one year	110,504	-
Payable after one year	10,000,000	-

The security of the bank loan is limited to a fixed charge over MXLG Acquisitions Limited's investment in the company and fixed charges over the company's investments in its subsidiaries (SICL Limited, PTCA Newco Limited, 365 ITMS Limited, Koris Communications Group Limited and Koris Limited). There is also a guarantee between the above subsidiaries in respect of the bank loan.

The bank loan accrues interest at a rate of 4.67%, with interest payable every 6 months in arrears. The bank loan is repayable on 16 October 2023.

16 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
4,900,100 Ordinary shares (2018: 100) of 1p each	49,001	1
	49,001	1

On 25 April 2019, the company issued 4,900,000 Ordinary shares with a nominal value of £0.01 each for consideration of £1 per share.

The shares each have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

17 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

MXLG INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Events after the reporting date

Since February 2020, the coronavirus, COVID-19, has spread globally. The consequences of the virus, which includes placing people in isolation, have already significantly impacted consumption and the global economy.

Management does not expect the company's results to be affected by this situation due to the nature of its activities as a holding company.

On 17 March 2020, a fixed charge against company's receivables was registered in relation to the cash pool agreement with Bank Mendes Gans N.V.

19 Related party transactions

During the year, the company obtained management services of £392,104 (period ended 31 December 2018: £273,849) from MXC Advisory Limited. The balance owed to MXC Advisory Limited included in trade creditors at the year end in respect of the management services obtained was £40,873 (period ended 31 December 2018: £289,231). A further amount of £31,917 (period ended 31 December 2018: £32,823) was accrued for at the year end. The amount owed is unsecured and repayable on demand.

The company also obtained advisory services of £126,651 (period ended 31 December 2018: £136,514) from MXC Capital Markets LLP during the year. There were no outstanding balances at the year end.

Both entities are related parties due to common ownership.

20 Ultimate controlling party

MXLG Acquisitions Limited, a company registered in England and Wales, is the immediate parent company and smallest and largest group for which consolidated accounts are drawn up. These accounts are available from the registered office of MXLG Acquisitions Limited, The Walbrook Building, 25 Walbrook, London, EC4N 8AF.

Liberty Global Europe 2 Limited, a company registered in England and Wales, and MXC JV Limited, a company registered in Guernsey, are the ultimate and equal parents of the group. Neither of these companies prepare consolidated accounts including MXLG Acquisitions Limited group, on the basis that no single party exercises control over the group.