

Company Registration No. 05047778 (England and Wales)

**HLMAD LIMITED T/A HLM**  
**ANNUAL REPORT AND FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

FRIDAY



\*S6LSI3E3\*

SCT

22/12/2017

#398

COMPANIES HOUSE

# HLMAD LIMITED T/A HLM

## COMPANY INFORMATION

---

### Directors

C Liddle	
N J Beecroft	
R O'Neill	
M Staniland	
J Clarke	
D Cafferty	
K Mosley	
S Bell	(Appointed 1 October 2017)
J Pickard	(Appointed 1 October 2017)
L Robertson	(Appointed 1 October 2017)
M Scherdel	(Appointed 1 October 2017)
J Wilson	(Appointed 1 October 2017)

### Secretary

K Mosley

### Company number

05047778

### Registered office

Ground Floor  
46 Loman Street  
LONDON  
SE1 0EH

### Auditor

Johnston Carmichael LLP  
227 West George Street  
GLASGOW  
G2 2ND

---

# **HLMAD LIMITED T/A HLM**

## **CONTENTS**

---

	<b>Page</b>
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 7
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 - 24

---

# **HLMAD LIMITED T/A HLM**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 MARCH 2017***

---

The directors present the strategic report for the year ended 31 March 2017.

### **Review of the business**

This business continues to be well respected in its chosen marketplaces of Healthcare, Education, Justice, Residential, Commercial and Defence and we are delighted that the quality of projects has again led to winning numerous design awards during the year.

We continue to achieve our targets for architectural design quality, business profile and financial performance. Our strategy of continuing to actively manage the business continues in a commercial manner is based upon the provision of sustainable, high quality design services to our clients with the Directors leading the design process, encouraging, motivating and leading the team by example.

Alongside this we have continued to dynamically shape the business to reflect the volatile economic environment and market conditions by focusing on being creative, innovative and as flexible as possible about the way we work together.

Our strong financial footing has not only allowed us to meet the challenges of the economic environment of the last few years, but also allowed us to pursue our strategy of continuing to invest in our UK business whilst simultaneously developing our international presence.

In the Middle East we have continued to increase HLM's business profile both in Abu Dhabi and Dubai where we have been successful in securing a number of major new projects. We continue to see significant opportunities for growing our business in this region.

### **Principal risks and uncertainties**

The principal risks and uncertainties facing the company can be summarised under the following categories:

- Brand reputation, product and service
- Competition
- Business interruption and infrastructure
- Continuing to attract and retain the right staff and management team
- Working capital management
- Foreign exchange risk
- IT systems, sensitive data and cyber risk
- The UK's exit from the European Union

The company manages these risks through a process of policies and controls which are set by the board and implemented and managed by the management team. All risks are assigned to owners and are reviewed regularly to further assess the extent and effectiveness of the controls.

The group seeks to diversify risks wherever possible, particularly through developing work in new business sectors and geographical areas.

# HLMAD LIMITED T/A HLM

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

---

#### Results and performance

Following a group re-organisation on 31 March 2016, the company became a wholly owned subsidiary of Covalent Group Limited and at the same time transferred the entire share capital of its UK subsidiary undertakings to Covalent Group Limited.

The profit for the year after taxation was £66,672 (2016: £292,561). The shareholders' funds total £1,373,571 (2016: £1,356,899).

The company's performance during the year ended 31 March 2017 as follows:

- Turnover amounted to £14,173,869 (2016: £15,518,396)
- Operating profit amounted to £99,862 (2016: £383,778)
- Other operating income was £135,000 (2016: £180,000)
- Headcount amounted to 165 (2016: 189)

Operating profit above is affected by the inclusion of significant management charges paid to the parent company during the year and the transfer of many administrative staff to Covalent Group Limited. Overall the directors are satisfied with the financial performance of the company given the challenges of faced by the company during the year.

#### Business environment

The design market is highly competitive within a number of the sectors in which the company operates. Many other businesses seek to operate in the market which leads to aggressive pricing. The impact of advances in technology has been enormous and it is essential that we keep abreast of advances in this area.

#### Strategy

The company's success is dependent on the proper selection of opportunities in the sectors in which it operates. We believe that having diversity in sectors, services and geographical spread will enables us to maintain our position and market share.

The company will continue to concentrate on achieving growth in its existing sectors whilst striving to improve efficiencies and diversification.

#### Key performance indicators (KPIs)

We have made significant progress throughout the year in relation to key elements of our strategy. The Board monitors the progress of the company by reference to the following KPIs:

	<u>2017</u>	<u>2016</u>
Turnover	£14.25m	£15.52m
Gross Margin	33.8%	32.4%
EBITDA	4%	5%

During the year the effects of the uncertainty surrounding Brexit have exerted downward pressures on revenues, through delays in new projects and reductions in the profile of existing projects. However the company has met this challenge well during the year, with gross margin improved as a result of vigorous cost control and a drive for efficiencies. EBITDA has fallen following the group restructuring and the introduction of management charges from the new parent company.

The board remain confident that the business is well placed to continue to win major contracts in its chosen sectors once the political landscape allows for projects currently stalled to go ahead.

# HLMAD LIMITED T/A HLM

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2017**

---

### **Strategic management**

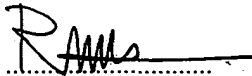
Fostering citizenship and improving society through architecture and design is the foundation of our collective business purpose.

We seek to be agile and adaptable, yet maintain a rigour that keeps design excellence as our essence and is achieved through a workplace of like-minded people – a profitable business that offers opportunity and is enjoyable.

### **Future development**

As part of the ongoing strategy to develop a business that is design-led, entrepreneurial and robust in the face of risks associated with the cyclical nature of the UK construction market, the company continues to invest in new service offerings, new sectors and new geographical markets.

On behalf of the board



R O'Neill

Director

19 December 2017

# **HLMAD LIMITED T/A HLM**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2017**

---

The directors present their annual report and financial statements for the year ended 31 March 2017.

#### **Principal activities**

The principal activity of the company continued to be that of the provision of architectural, landscape and urban design, interior design and environmental design services.

#### **Directors**

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

C Liddle	
N J Beecroft	
R O'Neill	
M Staniland	
C J Buckingham	(Resigned 11 August 2017)
J Clarke	
D Cafferty	
K Mosley	
S Bell	(Appointed 1 October 2017)
J Pickard	(Appointed 1 October 2017)
L Robertson	(Appointed 1 October 2017)
M Scherdel	(Appointed 1 October 2017)
J Wilson	(Appointed 1 October 2017)

#### **Results and dividends**

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £50,000. The directors do not recommend payment of a final dividend.

#### **Auditor**

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

# HLMAD LIMITED T/A HLM

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2017**

---

### Statement of directors' responsibilities

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 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;
- 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.

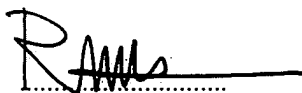
### Statement of disclosure to auditor

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, 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 company's auditor is aware of that information.

### Matters included in the Strategic Report

The company has chosen, in accordance with Companies Act 2006, s. 414C(11), to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sh. 7 to be contained in the Directors' Report. It has done so in respect of future developments, research and development and branches outside the UK.

On behalf of the board



R O'Neill

Director

19 December 2017

# **HLMAD LIMITED T/A HLM**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF HLMAD LIMITED T/A HLM**

---

We have audited the financial statements of HLMAD Limited T/A HLM for the year ended 31 March 2017 set out on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 - 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

#### **Opinion 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.

# HLMAD LIMITED T/A HLM

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HLMAD LIMITED T/A HLM

---

#### 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.

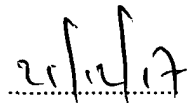
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.



Gavin Young (Senior Statutory Auditor)  
for and on behalf of Johnston Carmichael LLP

Chartered Accountants  
Statutory Auditor



227 West George Street  
GLASGOW  
G2 2ND

# HLMAD LIMITED T/A HLM

## PROFIT AND LOSS ACCOUNT

*FOR THE YEAR ENDED 31 MARCH 2017*

	Notes	2017 £	2016 £
Turnover	3	14,173,869	15,518,396
Cost of sales		(9,383,826)	(10,489,323)
<b>Gross profit</b>		<b>4,790,043</b>	<b>5,029,073</b>
Administrative expenses		(4,825,181)	(4,825,295)
Other operating income		135,000	180,000
<b>Operating profit</b>	4	<b>99,862</b>	<b>383,778</b>
Interest payable and similar expenses	7	(41,164)	(24,030)
<b>Profit before taxation</b>		<b>58,698</b>	<b>359,748</b>
Taxation	8	7,974	(67,187)
<b>Profit for the financial year</b>		<b>66,672</b>	<b>292,561</b>

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

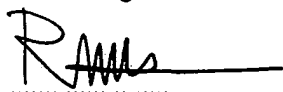
# HLMAD LIMITED T/A HLM

## BALANCE SHEET

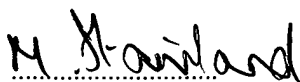
AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Tangible assets	10		608,539		760,999
<b>Current assets</b>					
Debtors	11	5,085,129		4,838,293	
Cash at bank and in hand		63,466		54,038	
		5,148,595		4,892,331	
<b>Creditors: amounts falling due within one year</b>	12	(4,283,825)		(4,080,170)	
<b>Net current assets</b>			864,770		812,161
<b>Total assets less current liabilities</b>			1,473,309		1,573,160
<b>Creditors: amounts falling due after more than one year</b>	13		(73,880)		(176,186)
<b>Provisions for liabilities</b>	16		(25,858)		(40,075)
<b>Net assets</b>			1,373,571		1,356,899
<b>Capital and reserves</b>					
Called up share capital	19		140,000		140,000
Capital redemption reserve	20		60,000		60,000
Profit and loss reserves	21		1,173,571		1,156,899
<b>Total equity</b>			1,373,571		1,356,899

The financial statements were approved by the board of directors and authorised for issue on 19 December 2017 and are signed on its behalf by:



R O'Neill  
Chairman



M Staniland  
Director

Company Registration No. 05047778

# **HLMAD LIMITED T/A HLM**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 April 2015</b>		168,016	31,984	1,376,539	1,576,539
<b>Period ended 31 March 2016:</b>					
Profit and total comprehensive income for the year		-	-	292,561	292,561
Dividends	9	-	-	(175,000)	(175,000)
Purchase of own shares		(28,016)	-	(337,201)	(365,217)
Transfers		-	28,016	-	28,016
<b>Balance at 31 March 2016</b>		140,000	60,000	1,156,899	1,356,899
<b>Period ended 31 March 2017:</b>					
Profit and total comprehensive income for the year		-	-	66,672	66,672
Dividends	9	-	-	(50,000)	(50,000)
<b>Balance at 31 March 2017</b>		140,000	60,000	1,173,571	1,373,571

# **HLMAD LIMITED T/A HLM**

## **STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	28		(358,108)		312,891
Interest paid			(41,164)		(24,030)
Income taxes paid			(63,869)		(52,903)
<b>Net cash (outflow)/inflow from operating activities</b>			(463,141)		235,958
<b>Investing activities</b>					
Purchase of tangible fixed assets		(257,488)		(176,236)	
Proceeds on disposal of subsidiaries		-		26,040	
<b>Net cash used in investing activities</b>			(257,488)		(150,196)
<b>Financing activities</b>					
Purchase of own shares		-		(337,204)	
Repayment of borrowings		-		5,950	
Payment of finance leases obligations		(146,646)		(79,882)	
Dividends paid		(50,000)		(175,000)	
<b>Net cash used in financing activities</b>			(196,646)		(586,136)
<b>Net decrease in cash and cash equivalents</b>			(917,275)		(500,374)
Cash and cash equivalents at beginning of year			24,146		524,520
<b>Cash and cash equivalents at end of year</b>			(893,129)		24,146
<b>Relating to:</b>					
Cash at bank and in hand			63,466		54,038
Bank overdrafts included in creditors payable within one year			(956,595)		(29,892)

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017

---

#### 1 Accounting policies

##### Company information

HLMAD Limited T/A HLM is a company limited by shares incorporated in England and Wales. The registered office is Ground Floor, 46 Loman Street, London, SE1 0EH.

##### 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.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Covalent Group Limited. These consolidated financial statements are available from its registered office, 46 Loman Street, London, SE1 0EH.

##### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company 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.

##### 1.3 Turnover

Turnover represents the invoices, net of VAT, raised in the year which are adjusted for movements in the level of amounts recoverable on contracts.

Contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract and credit is taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty.

Turnover is only recognised in the financial statements when there is a contractual right to consideration.

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

---

### 1 Accounting policies

(Continued)

#### 1.4 Tangible fixed assets

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

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

Leasehold Improvements	- 5 years straight line
Equipment	- 5 years straight line
Fixtures and fittings	- 5 to 10 years straight line
Computer equipment	- 2 to 3 years 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 credited or charged to profit or loss.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

#### 1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.7 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

##### **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 company after deducting all of its liabilities.

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

---

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, 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 receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **1.8 Equity instruments**

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

#### **1.9 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **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 when the company has 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.

#### **1.10 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.

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

---

#### 1 Accounting policies

(Continued)

##### 1.11 Retirement benefits

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

##### 1.12 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 the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

##### 1.13 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.

#### 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.

##### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

##### **Stage of completion on contracts**

Stage of completion is estimated by management, primarily with reference to the amount of expenses incurred to date, relative to the expected total of expenditure on the contract. While management make every effort to accurately estimate costs at the beginning of a project, this can be subject to revision as the work progresses and the picture becomes clearer.

##### **Useful lives of fixed assets**

In order to write-off fixed assets over their useful lifetime, management have to estimate the length of that useful life. Management have made use of useful lives which are fairly standard for similar assets in similar businesses, but may not represent the exact length of time which a given asset is used for.

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

#### 3 Turnover and other revenue

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

	2017 £	2016 £
<b>Turnover</b>		
Provision of design services	14,173,869	15,518,396

#### Turnover analysed by geographical market

	2017 £	2016 £
UK	12,654,214	13,940,348
Rest of the world	1,519,655	1,578,048
	14,173,869	15,518,396

#### 4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(133,449)	(33,162)
Fees payable to the company's auditor for the audit of the company's financial statements	14,025	14,925
Depreciation of owned tangible fixed assets	322,116	278,502
Depreciation of tangible fixed assets held under finance leases	87,832	47,313
Loss on disposal of tangible fixed assets	-	1,495
Rent in respect of operating leases	554,643	499,778

#### 5 Employees

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

	2017 Number	2016 Number
Architectural and design staff	148	160
Administration staff	17	29
	165	189

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 5 Employees

(Continued)

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	5,431,204	6,876,818
Social security costs	523,965	672,570
Pension costs	102,164	153,846
	<u>6,057,333</u>	<u>7,703,234</u>

### 6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	82,107	944,905
Company pension contributions to defined contribution schemes	1,606	21,300
	<u>83,713</u>	<u>966,205</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2016 - 6).

Since May 2016, the Directors have been remunerated through the parent company.

### 7 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank overdrafts and loans	24,686	16,125
Interest on finance leases and hire purchase contracts	16,478	7,905
	<u>41,164</u>	<u>24,030</u>

### 8 Taxation

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	30,706	73,473
Adjustments in respect of prior periods	(24,463)	(45,551)
Payment in respect of group relief	-	35,400
	<u>6,243</u>	<u>63,322</u>
<b>Total current tax</b>		

# **HLMAD LIMITED T/A HLM**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 MARCH 2017**

### **8 Taxation**

**(Continued)**

#### **Deferred tax**

Origination and reversal of timing differences	(14,217)	7,486
Changes in tax rates	-	(3,621)
	<u>(14,217)</u>	<u>3,865</u>
Total deferred tax	(14,217)	3,865
	<u>(14,217)</u>	<u>3,865</u>
Total tax charge	(7,974)	67,187
	<u>(7,974)</u>	<u>67,187</u>

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

	2017 £	2016 £
Profit before taxation	58,698	359,748
	<u>58,698</u>	<u>359,748</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	11,740	71,950
Tax effect of expenses that are not deductible in determining taxable profit	25,788	44,715
Adjustments in respect of prior years	(24,463)	(45,551)
Group relief	(25,517)	(137)
Permanent capital allowances in excess of depreciation	-	664
Depreciation on assets not qualifying for tax allowances	1,723	-
Other permanent differences	2,865	-
Deferred tax adjustments in respect of prior years	4,453	-
Adjust deferred tax to average rate of 20%	(4,563)	(4,454)
	<u>(7,974)</u>	<u>67,187</u>
Tax expense for the year	(7,974)	67,187
	<u>(7,974)</u>	<u>67,187</u>

### **9 Dividends**

	2017 £	2016 £
Final	50,000	175,000
	<u>50,000</u>	<u>175,000</u>

# **HLMAD LIMITED T/A HLM**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 MARCH 2017**

### **10 Tangible fixed assets**

	Leasehold Improvements	Equipment	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 April 2016	649,312	132,878	151,722	1,228,953	2,162,865
Additions	55,574	-	23,170	178,744	257,488
Disposals	(73,220)	(42,974)	(92,038)	(219,016)	(427,248)
At 31 March 2017	631,666	89,904	82,854	1,188,681	1,993,105
<b>Depreciation and impairment</b>					
At 1 April 2016	626,062	74,112	109,087	592,605	1,401,866
Depreciation charged in the year	12,960	17,981	14,112	364,895	409,948
Eliminated in respect of disposals	(73,220)	(42,974)	(92,038)	(219,016)	(427,248)
At 31 March 2017	565,802	49,119	31,161	738,484	1,384,566
<b>Carrying amount</b>					
At 31 March 2017	65,864	40,785	51,693	450,197	608,539
At 31 March 2016	23,250	58,766	42,635	636,348	760,999

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2017 £	2016 £
Equipment	102,506	190,338
Depreciation charge for the year in respect of leased assets	87,832	47,313

### **11 Debtors**

	2017 £	2016 £
<b>Amounts falling due within one year:</b>		
Trade debtors	2,953,661	3,322,573
Amounts recoverable on contracts	1,124,357	660,781
Amounts due from fellow group undertakings	390,665	194,640
Other debtors	82,418	86,191
Prepayments and accrued income	534,028	574,108
	5,085,129	4,838,293

# **HLMAD LIMITED T/A HLM**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2017**

### **12 Creditors: amounts falling due within one year**

	Notes	2017 £	2016 £
Bank loans and overdrafts	14	956,595	29,892
Obligations under finance leases	15	102,911	147,251
Payments received on account		358,660	676,909
Trade creditors		1,542,784	1,205,515
Amounts due to group undertakings		193,000	210,000
Corporation tax		30,706	27,922
Other taxation and social security		658,193	990,573
Other creditors		14,897	71,596
Accruals and deferred income		426,079	720,512
		<u>4,283,825</u>	<u>4,080,170</u>

The full amount due under HP and finance leases is secured on the assets being financed.

### **13 Creditors: amounts falling due after more than one year**

	Notes	2017 £	2016 £
Obligations under finance leases	15	<u>73,880</u>	<u>176,186</u>

The full amount due under HP and finance leases is secured on the assets being financed.

### **14 Loans and overdrafts**

	2017 £	2016 £
Bank overdrafts	<u>956,595</u>	<u>29,892</u>
Payable within one year	<u>956,595</u>	<u>29,892</u>

The bank overdraft is secured by a composite guarantee over the assets of the group of which HLMAD Limited T/A HLM is a member.

### **15 Finance lease obligations**

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	102,911	147,251
In two to five years	73,880	176,186
	<u>176,791</u>	<u>323,437</u>

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 15 Finance lease obligations

(Continued)

Finance lease payments represent rentals payable by the company 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.

### 16 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	17	25,858	40,075
		<u>25,858</u>	<u>40,075</u>

### 17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
<b>Balances:</b>		
ACAs	28,390	42,757
Other short-term timing differences	(2,532)	(2,682)
	<u>25,858</u>	<u>40,075</u>
<b>Movements in the year:</b>		2017 £
Liability at 1 April 2016		40,075
Credit to profit or loss		(14,217)
Liability at 31 March 2017		<u>25,858</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 18 Retirement benefit schemes

	2017	2016
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	102,984	165,513

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 19 Share capital

	2017	2016
	£	£
Ordinary share capital Issued and fully paid 140,000 Ordinary shares of £1 each	140,000	140,000

### 20 Capital redemption reserve

The capital redemption reserve is the cumulative value of share capital previously issued which has been redeemed by the company.

### 21 Profit and loss reserves

Profit & loss reserves are the cumulative profits and losses incurred by the company since incorporation and not distributed to the shareholders.

### 22 Operating lease commitments

#### Lessee

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

	2017	2016
	£	£
Within one year	440,264	415,266
Between two and five years	351,799	341,221
	792,063	756,487

### 23 Financial commitments, guarantees and contingent liabilities

The company is party to a cross-company guarantee given to the group's bankers for the debts of its fellow group undertakings. The aggregate amount owed by HLMAD's fellow group undertakings at 31 March 2017 is £Nil (2016 - £Nil).

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 24 Related party transactions

#### Transactions with related parties

The company has taken advantage of the exemption available in respect of Section 33.1a of the standards, which exempts the company from disclosing transactions with other group companies which are wholly owned subsidiaries.

There is a cross company guarantee provided to the group's bankers in respect of the company and its fellow group undertakings.

### 25 Directors' transactions

Interest free loans have been granted to the company by its directors as follows:

Description	% Rate	Opening balance £	Amounts repaid £	Closing balance £
Loans from directors	-	5,950	(5,950)	-
		5,950	(5,950)	-

### 26 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
HLM Africa (Pty) Limited	South Africa	Architectural, landscape urban, interior and environmental design services	Ordinary	100	-

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

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
HLM Africa (Pty) Limited	630	(25,803)

The investments in subsidiaries are stated at cost.

HLM Africa (Pty) Limited has prepared accounts for the year ended 28 February 2017.

# HLMAD LIMITED T/A HLM

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 27 Controlling party

The ultimate parent company is Covalent Group Limited, which has its registered office at 46 Loman Street, London, SE1 0EH.

The largest and smallest group into which the company is consolidated is Covalent Group Limited. Copies of the consolidated accounts are available from Companies House.

### 28 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	66,672	292,561
<b>Adjustments for:</b>		
Taxation (credited)/charged	(7,974)	67,187
Finance costs	41,164	24,030
(Gain)/loss on disposal of tangible fixed assets	-	1,495
Depreciation and impairment of tangible fixed assets	409,948	325,815
<b>Movements in working capital:</b>		
(Increase)/decrease in debtors	(246,836)	37,005
(Decrease) in creditors	(621,082)	(435,202)
<b>Cash (absorbed by)/generated from operations</b>	<b>(358,108)</b>	<b>312,891</b>