

Company Registration No. 05047778 (England and Wales)

**HLMAD LIMITED T/A HLM
ARCHITECTS**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

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HLMAD LIMITED T/A HLM ARCHITECTS

COMPANY INFORMATION

Directors

C Liddle
N J Beecroft
R O'Neill
M Staniland
J Clarke
D Cafferty
K Mosley
S Bell
L Robertson
M Scherdel
J Wilson
P Watson

Secretary

K Mosley

Company number

05047778

Registered office

Wool + Tailor Building
Fifth Floor
10-12 Alie Street
London
E1 8DE

Auditor

Johnston Carmichael LLP
227 West George Street
GLASGOW
G2 2ND

HLMAD LIMITED T/A HLM ARCHITECTS

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HLMAD LIMITED T/A HLM ARCHITECTS

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the year ended 31 March 2020.

Review of the business

The business continues to be well respected in its chosen marketplaces of Healthcare, Education, Justice & Emergency Services, Living & Communities, Asset & Workplace, Hospitality and Defence. We are delighted that the quality of our work and how we engage with our employees and wider community has again led to winning numerous awards during the year, including being recognised and awarded Employer of the Year by the Architects Journal and Architectural Practice of the Year by Building Magazine.

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 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. This is reflected by the number of business awards and short listings achieved.

Alongside this we continued to 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, but also allowed us to pursue our strategy of continuing to invest in our UK business whilst simultaneously retaining our international presence.

Our aim is to make the maximum social impact to society through our activities and the places we create. Through thoughtful design we consciously take account of economic, environmental and social elements to inform the collective decisions we make about where to invest and our time and resources. It also helps us to understand and appreciate the positive difference we can make to the communities in which we operate.

Principal risks and uncertainties

The principal risk facing the company relates to the ongoing uncertainty resulting from the COVID-19 pandemic.

The company continues to closely monitor the constantly changing risk of the global COVID-19 pandemic. The potential impact will depend on the severity and length of the UK outbreak. The key risks to our operations include: Disruption to our key sectors through restrictions on movement and uncertainty of future demand; Operational issues involving greater emphasis on home and remote working; The impact on our colleagues, especially those who are at high risk and need to self isolate; Impact on existing client base and pressure on fee levels; and A prolonged significant outbreak in the UK resulting in delay to project decisions.

Other key risks 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 ARCHITECTS

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Results and performance

The profit for the year after taxation was £1,017,705 (2019: £168,930). The shareholders' funds total £2,008,539 (2019: £1,110,834).

The company's performance during the year ended 31 March 2020 as follows:

- Turnover amounted to £12,953,802 (2019: £13,197,164)
- Operating profit amounted to £502,556 (2019: £217,043)
- Headcount amounted to 149 (2019: 131)

Operating profit above is affected by the inclusion of management charges paid to the parent company during the year. Overall the directors are satisfied with the financial performance of the company given the challenges 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 continue to 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 enable 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>2020</u>	<u>2019</u>
Turnover	£12.95m	£13.20m
Gross Margin	45.5%	33.4%
EBITDA	4.9%	3.4%

The board remain confident that the business is well placed to continue to win major contracts in its chosen sectors and continues to see an improving pipeline of opportunity.

HLMAD LIMITED T/A HLM ARCHITECTS

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Future prospects

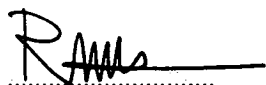
As part of the ongoing strategy to develop a business that is design-led, entrepreneurial and robust in the face of risks associated with the cyclical nature of the UK construction market, the company continues to invest in new service offerings, new sectors and new geographical markets.

Strategic management

Fostering citizenship and improving society through architecture and design is the foundation of our collective business purpose. We have built a reputation for design excellence and expertise across our key sectors with a focus on solving our client's challenges and mindful of the impact that design can have on people, communities and society.

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.

On behalf of the board



R O'Neill

Director

~~8 December 2020~~

HLMAD LIMITED T/A HLM ARCHITECTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

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
J Clarke
D Cafferty
K Mosley
S Bell
J Pickard
L Robertson
M Scherdel
J Wilson
P Watson

(Resigned 30 November 2019)

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £120,000. 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 ARCHITECTS

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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). 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 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.

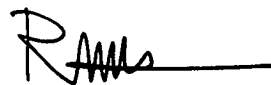
Statement of disclosure to auditor

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.

On behalf of the board



R O'Neill

Chairman

Date: 8 December 2020

HLMAD LIMITED T/A HLM ARCHITECTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HLMAD LIMITED T/A HLM ARCHITECTS

Opinion

We have audited the financial statements of HLMAD Limited T/A HLM ARCHITECTS (the 'company') for the year ended 31 March 2020 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

HLMAD LIMITED T/A HLM ARCHITECTS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HLMAD LIMITED T/A HLM ARCHITECTS

Matters on which we are required to report by exception

In the light of our 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, 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.

HLMAD LIMITED T/A HLM ARCHITECTS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HLMAD LIMITED T/A HLM ARCHITECTS

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Johnston Carmichael LLP

Allison Dalton (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

8 December 2020

Chartered Accountants
Statutory Auditor

227 West George Street
GLASGOW
G2 2ND

HLMAD LIMITED T/A HLM ARCHITECTS

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	3	12,953,802	13,197,164
Cost of sales		(7,054,231)	(8,792,198)
Gross profit		5,899,571	4,404,966
Administrative expenses		(5,397,015)	(4,187,923)
Operating profit	4	502,556	217,043
Interest payable and similar expenses	7	(45)	(9,217)
Profit before taxation		502,511	207,826
Taxation	8	515,194	(38,896)
Profit for the financial year		1,017,705	168,930

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

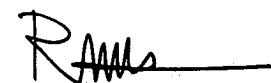
HLMAD LIMITED T/A HLM ARCHITECTS

BALANCE SHEET

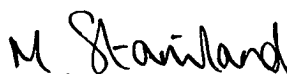
AS AT 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	10		263,110		202,911
Current assets					
Debtors	11	4,122,973		4,220,117	
Cash at bank and in hand		828,659		645,728	
		4,951,632		4,865,845	
Creditors: amounts falling due within one year	12	(3,206,203)		(3,957,922)	
Net current assets			1,745,429		907,923
Total assets less current liabilities			2,008,539		1,110,834
Capital and reserves					
Called up share capital	15		140,000		140,000
Capital redemption reserve	16		60,000		60,000
Profit and loss reserves	17		1,808,539		910,834
Total equity			2,008,539		1,110,834

The financial statements were approved by the board of directors and authorised for issue on ...8 December 2020 and are signed on its behalf by:



R O'Neill
Chairman



M Staniland
Director

Company Registration No. 05047778

HLMAD LIMITED T/A HLM ARCHITECTS

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2018		140,000	60,000	961,904	1,161,904
Year ended 31 March 2019:					
Profit and total comprehensive income for the year		-	-	168,930	168,930
Dividends	9	-	-	(220,000)	(220,000)
Balance at 31 March 2019		140,000	60,000	910,834	1,110,834
Year ended 31 March 2020:					
Profit and total comprehensive income for the year		-	-	1,017,705	1,017,705
Dividends	9	-	-	(120,000)	(120,000)
Balance at 31 March 2020		140,000	60,000	1,808,539	2,008,539

HLMAD LIMITED T/A HLM ARCHITECTS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	22	244,545		723,946	
Interest paid		(45)		(9,217)	
Income taxes refunded/(paid)		246,235		(58,858)	
Net cash inflow from operating activities		<u>490,735</u>		<u>655,871</u>	
Investing activities					
Purchase of tangible fixed assets		(187,804)		(58,006)	
Net cash used in investing activities		<u>(187,804)</u>		<u>(58,006)</u>	
Financing activities					
Payment of finance leases obligations		-		(76,327)	
Dividends paid		(120,000)		(220,000)	
Net cash used in financing activities		<u>(120,000)</u>		<u>(296,327)</u>	
Net increase in cash and cash equivalents		<u>182,931</u>		<u>301,538</u>	
Cash and cash equivalents at beginning of year		645,728		344,190	
Cash and cash equivalents at end of year		<u><u>828,659</u></u>		<u><u>645,728</u></u>	

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

HLMAD Limited T/A HLM ARCHITECTS is a company limited by shares incorporated in England and Wales. The registered office is Wool + Tailor Building, Fifth Floor, 10-12 Ailie Street, London, E1 8DE.

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, Wool + Tailor Building Fifth Floor, 10-12 Ailie Street, London E1 8DE.

1.2 Going concern

The directors have prepared cash flow projections through to December 2021 which show that the company will have sufficient resources to allow it to meet its financial liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

The directors have also considered the impact of the Global COVID-19 pandemic which continues to create uncertainty for global economies. The company has continued to trade through the associated disruption and, while impacted, has managed the risks from the pandemic by utilising the government furlough and VAT deferral support schemes. The directors are confident that they can continue to manage any further short term operational or commercial challenges presented by the pandemic.

Based on these factors, the directors are satisfied that it remains appropriate for the company to prepare its financial statements on a going concern basis.

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

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.

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.

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Other financial assets

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

Impairment of financial assets

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

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.

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.

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.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.8 Equity instruments

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

1.11 Retirement benefits

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

1.12 Leases

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

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

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

The company undertakes contracts which take place over a period of time and revenue and profits are recognised as the company performs under these contracts. The extent to which revenue and profits have been earned involves an assessment of both the total expected contract costs and the final expected contract margin. 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.

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover analysed by class of business		
Provision of design services	12,953,802	13,197,164
	<u>12,953,802</u>	<u>13,197,164</u>
	2020 £	2019 £
Turnover analysed by geographical market		
UK	12,637,194	10,500,036
Rest of the world	316,608	2,697,128
	<u>12,953,802</u>	<u>13,197,164</u>

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

4 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/ (gains)	5,964	57,140
Fees payable to the company's auditor for the audit of the company's financial statements	15,500	15,000
Depreciation of owned tangible fixed assets	127,605	226,446
Rent in respect of operating leases	492,963	508,436

5 Employees

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

	2020 Number	2019 Number
Architectural and design staff	132	115
Administration staff	17	16
	149	131

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	4,759,876	4,352,683
Social security costs	512,519	418,695
Pension costs	172,156	188,646
	5,444,551	4,960,024

6 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	394,604	400,394
Company pension contributions to defined contribution schemes	53,423	26,874
	448,027	389,614

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2019 - 6).

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

6 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	95,376	102,473
Company pension contributions to defined contribution schemes	27,917	6,888

7 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and loans	45	7,155
Interest on finance leases and hire purchase contracts	-	2,062
	45	9,217

8 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	(187,351)	62,981
Adjustments in respect of prior periods	(340,392)	(100,891)
Group tax relief charge	-	100,891
Total current tax	(527,743)	62,981
Deferred tax		
Origination and reversal of timing differences	12,549	(19,171)
Adjustment in respect of prior periods	-	(4,914)
Total deferred tax	12,549	(24,085)
Total tax (credit)/charge	(515,194)	38,896

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

8 Taxation

(Continued)

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:

	2020 £	2019 £
Profit before taxation	502,511	207,826
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	95,477	39,487
Tax effect of expenses that are not deductible in determining taxable profit	21,538	19,373
Additional deduction for research and development	(293,153)	-
Adjustments in respect of prior years	(340,392)	(100,891)
Net group relief	-	84,704
Depreciation on assets not qualifying for tax allowances	4,170	1,867
Deferred tax adjustments in respect of prior years	-	(4,914)
Adjust deferred tax to average rate of 19%	(2,834)	1,925
Deferred Tax not recognised	-	(2,801)
Other differences	-	146
Taxation (credit)/charge for the year	(515,194)	38,896

9 Dividends

	2020 £	2019 £
Interim paid	120,000	220,000

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

10 Tangible fixed assets

	Leasehold Improvements	Equipment	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 April 2019	651,611	96,904	98,524	1,271,212	2,118,251
Additions	58,066	-	23,958	105,780	187,804
Disposals	(136,858)	-	-	(313,661)	(450,519)
At 31 March 2020	572,819	96,904	122,482	1,063,331	1,855,536
Depreciation and impairment					
At 1 April 2019	598,717	83,854	66,282	1,166,487	1,915,340
Depreciation charged in the year	20,511	8,185	15,581	83,328	127,605
Eliminated in respect of disposals	(136,858)	-	-	(313,661)	(450,519)
At 31 March 2020	482,370	92,039	81,863	936,154	1,592,426
Carrying amount					
At 31 March 2020	90,449	4,865	40,619	127,177	263,110
At 31 March 2019	52,894	13,050	32,242	104,725	202,911

11 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,641,304	2,867,965
Amounts recoverable on contracts	456,174	695,002
Corporation tax recoverable	319,563	38,055
Amounts due from fellow group undertakings	276,040	66,432
Other debtors	107,526	106,969
Prepayments and accrued income	310,830	421,609
	4,111,437	4,196,032
Deferred tax asset (note 13)	11,536	24,085
	4,122,973	4,220,117

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

12 Creditors: amounts falling due within one year

	2020 £	2019 £
Payments received on account	321,422	219,191
Trade creditors	1,010,968	1,328,244
Amounts owed to group undertakings	-	765,105
Taxation and social security	834,339	906,270
Other creditors	26,563	20,303
Accruals and deferred income	1,012,911	718,809
	<u>3,206,203</u>	<u>3,957,922</u>

13 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:

	Assets 2020 £	Assets 2019 £
Balances:		
ACAs	9,003	21,552
Other short-term timing differences	2,533	2,533
	<u>11,536</u>	<u>24,085</u>

	2020 £
Movements in the year:	
Asset at 1 April 2019	(24,085)
Charge to profit or loss	12,549
Asset at 31 March 2020	<u>(11,536)</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

14 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>225,579</u>	<u>212,611</u>

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.

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

15 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
140,000 Ordinary shares of £1 each	140,000	140,000

There is one class of ordinary share which carries full voting rights but no right to fixed income or repayment of capital. Distributions are at the discretion of the company.

16 Capital redemption reserve

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

17 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.

18 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 2020 is £615,537 (2019 - £1,406,022).

19 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:

	2020 £	2019 £
Within one year	245,469	129,093
Between two and five years	787,161	155,610
	<u>1,032,630</u>	<u>284,703</u>

HLMAD LIMITED T/A HLM ARCHITECTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

20 Related party transactions

Transactions with related parties

The company has taken advantage of the exemption available in respect of Section 33.1a of FRS 102, 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.

21 Ultimate controlling party

The ultimate parent company is Covalent Group Limited, which has its registered office at Wool + Tailor Building Fifth Floor, 10-12 Ailie Street, London, E1 8DE.

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.

22 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	1,017,705	168,930
Adjustments for:		
Taxation (credited)/charged	(515,194)	38,896
Finance costs	45	9,217
Depreciation and impairment of tangible fixed assets	127,605	226,446
Movements in working capital:		
Decrease in debtors	366,103	1,332,603
Decrease in creditors	(751,719)	(1,052,146)
Cash generated from operations	244,545	723,946

23 Analysis of changes in net funds

	1 April 2019 £	Cash flows £	31 March 2020 £
Cash at bank and in hand	645,728	182,931	828,659