

Company Registration No. 05047778 (England and Wales)

HLMAD LIMITED
T/A HLM ARCHITECTS
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

**HLMAD LIMITED
T/A HLM ARCHITECTS
COMPANY INFORMATION**

Directors	C Liddle N Beecroft R O'Neil M Staniland J Clarke D Cafferty K Mosley S Bell L Robertson M Scherdel P Watson M Earnshaw S Chenery C Wakelin	(Appointed 1 October 2023)
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 2023

The directors present the strategic report for the year ended 31 March 2023.

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 as Architectural Practice of the Year 2023 by Building Magazine for the 3rd time in 4 years and listed No 39 in the Best Mid-sized Companies to Work for 2023 Awards.

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 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 expanding 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 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.

In 2020, ownership of the group transitioned to Employee Ownership with 100% of the business now in Trust held on behalf of employees and the ability for our employees to benefit from our ambition, drive and successes.

Principal risks and uncertainties

The principal risks facing the company relate to the ongoing economic uncertainty and inflationary pressures.

The company continues to closely monitor the constantly changing economic outlook and potential impact in its key sectors. The key risks to our operations include:

- Disruption to our key sectors through uncertainty of future demand;
- Impact on existing client base and pressure on fee levels and cost base; and
- Delay to project decisions.

Other key risks can be summarised under the following categories:

- Brand reputation, product and service;
- Competition;
- Business interruption and infrastructure
- Political uncertainty
- Continuing to attract and retain the right staff and management team;
- Working capital management; and
- IT systems, sensitive data and cyber risk

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 2023

Results and performance

The profit for the year after taxation was £1,078,174 (2022: £1,489,775). The shareholders' funds total £1,363,006 (2022: £1,961,832).

The company's performance during the year ended 31 March 2023 as follows:

- Turnover amounted to £19,261,171 (2022: £15,418,341)
- Operating profit amounted to £1,205,944 (£1,522,653)
- Headcount amounted to 218 (2022: 179)

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>2023</u>	<u>2022</u>
Turnover	£19.26M	£15.42M
Gross Margin	38.6%	40.5%
EBITDA	7.3%	10.7%

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 for opportunity.

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.

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.

HLMAD LIMITED
T/A HLM ARCHITECTS
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

On behalf of the board

R O'Neil
Director

21 December 2023

**HLMAD LIMITED
T/A HLM ARCHITECTS
DIRECTORS' REPORT**

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

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 Beecroft	
R O'Neil	
M Staniland	
J Clarke	
D Cafferty	
K Mosley	
S Bell	
L Robertson	
M Scherdel	
J Wilson	(Resigned 20 January 2023)
P Watson	
M Earnshaw	
S Chenery	
C Wakelin	(Appointed 1 October 2023)

Results and dividends

The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £1,680,000. 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.

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.

HLMAD LIMITED
T/A HLM ARCHITECTS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

On behalf of the board

R O'Neil
Director
21 December 2023

HLMAD LIMITED
T/A HLM ARCHITECTS
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023

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.

**HLMAD LIMITED
T/A HLM ARCHITECTS
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HLMAD LIMITED**

Opinion

We have audited the financial statements of HLMAD Limited (the 'company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including 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 2023 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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**

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 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 on page 6, 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 responsibilities for the audit of the financial statements

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

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

HLMAD LIMITED
T/A HLM ARCHITECTS
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF HLMAD LIMITED

Extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and the sector in which it operates, focusing on provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006
- UK VAT and Corporation Tax legislation
- UK Generally Accepted Practice.

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulations or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Performing audit work procedures over the risk of revenue recognition including testing of the accuracy and completeness of revenue and the valuation of amounts recoverable on contracts;
- Completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

**HLMAD LIMITED
T/A HLM ARCHITECTS
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF HLMAD LIMITED**

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.

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

21 December 2023

Statutory Auditor

227 West George Street
Glasgow
G2 2ND

HLMAD LIMITED
T/A HLM ARCHITECTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

		2023	2022
	Notes	£	£
Turnover	3	19,261,171	15,418,341
Cost of sales		(11,818,907)	(9,175,958)
Gross profit		<u>7,442,264</u>	<u>6,242,383</u>
Administrative expenses		(6,236,320)	(4,719,730)
Profit before taxation		<u>1,205,944</u>	<u>1,522,653</u>
Tax on profit	7	(127,770)	(32,878)
Profit for the year		<u><u>1,078,174</u></u>	<u><u>1,489,775</u></u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

HLMAD LIMITED
T/A HLM ARCHITECTS
BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
Fixed assets					
Tangible assets	9		467,921		341,908
Current assets					
Debtors	10	5,217,217		5,279,438	
Cash at bank and in hand		579,141		805,488	
		<u>5,796,358</u>		<u>6,084,926</u>	
Creditors: amounts falling due within one year	11	<u>(4,848,300)</u>		<u>(4,446,968)</u>	
Net current assets			948,058		1,637,958
Total assets less current liabilities			<u>1,415,979</u>		<u>1,979,866</u>
Provisions for liabilities					
Deferred tax liability	12	<u>52,973</u>	(52,973)	<u>15,034</u>	(15,034)
Net assets			<u><u>1,363,006</u></u>		<u><u>1,964,832</u></u>
Capital and reserves					
Called up share capital	14		140,000		140,000
Capital redemption reserve	15		60,000		60,000
Profit and loss reserves	16		1,163,006		1,764,832
Total equity			<u><u>1,363,006</u></u>		<u><u>1,964,832</u></u>

The financial statements were approved by the board of directors and authorised for issue on 21 December 2023 and are signed on its behalf by:

R O'Neil
Director

M Staniland
Director

Company Registration No. 05047778

HLMAD LIMITED
T/A HLM ARCHITECTS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

		Share capital	Capital redemption reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 April 2021		140,000	60,000	1,395,057	1,595,057
Year ended 31 March 2022:					
Profit and total comprehensive income for the year		-	-	1,489,775	1,489,775
Dividends	8	-	-	(1,120,000)	(1,120,000)
Balance at 31 March 2022		140,000	60,000	1,764,832	1,964,832
Year ended 31 March 2023:					
Profit and total comprehensive income for the year		-	-	1,078,174	1,078,174
Dividends	8	-	-	(1,680,000)	(1,680,000)
Balance at 31 March 2023		140,000	60,000	1,163,006	1,363,006

HLMAD LIMITED
T/A HLM ARCHITECTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

		2023		2022	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	21	1,781,981		1,028,424	
Investing activities					
Purchase of tangible fixed assets		(328,328)		(268,167)	
Net cash used in investing activities		(328,328)		(268,167)	
Financing activities					
Dividends paid		(1,680,000)		(1,120,000)	
Net cash used in financing activities		(1,680,000)		(1,120,000)	
Net decrease in cash and cash equivalents		(226,347)		(359,743)	
Cash and cash equivalents at beginning of year		805,488		1,165,231	
Cash and cash equivalents at end of year		579,141		805,488	

HLMAD LIMITED
T/A HLM ARCHITECTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

HLMAD Limited is a company limited by shares incorporated in England and Wales. The registered office is Wool + Tailor Building, Fifth Floor, 10-12 Alie 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.

1.2 Going concern

The directors have prepared cash flow projections through to December 2024 and reviewed their secured workload which shows 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 are satisfied that it remains appropriate for the company to prepare financial statements on a going concern basis.

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.

HLMAD LIMITED
T/A HLM ARCHITECTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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 years straight line
Computer equipment	- 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 and 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 and deposits held at call with banks.

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.

Impairment of financial assets

Financial assets 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.

HLMAD LIMITED
T/A HLM ARCHITECTS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

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.

Derecognition of financial liabilities

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

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

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

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

1.13 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 in the period are included in profit or loss.

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.

3 Turnover and other revenue

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

	2023	2022
	£	£
Turnover analysed by class of business		
Provision of design services	19,261,171	15,418,341

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

3 Turnover and other revenue **(Continued)**

	2023	2022
	£	£
Turnover analysed by geographical market		
United Kingdom	18,504,511	13,956,522
Rest of the world	756,660	1,461,819
	<u>19,261,171</u>	<u>15,418,341</u>

4 Operating profit

	2023	2022
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	19,774	(7,960)
Fees payable to the company's auditor for the audit of the company's financial statements	22,500	18,650
Depreciation of owned tangible fixed assets	201,506	133,759
Loss on disposal of tangible fixed assets	809	-
Operating lease charges	495,262	467,737
	<u>495,262</u>	<u>467,737</u>

5 Employees

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

	2023	2022
	Number	Number
Architectural and design staff	182	150
Administration staff	36	29
	<u>218</u>	<u>179</u>

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	8,636,449	6,822,828
Social security costs	905,864	661,210
Pension costs	176,388	140,064
	<u>9,718,701</u>	<u>7,624,102</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

6 Directors' remuneration

	2023	2022
	£	£
Remuneration for qualifying services	622,167	658,442
Company pension contributions to defined contribution schemes	78,914	25,992
	<u>701,081</u>	<u>684,434</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2022 - 7).

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

	2023	2022
	£	£
Remuneration for qualifying services	118,707	139,359
Company pension contributions to defined contribution schemes	38,731	18,067
	<u>157,438</u>	<u>157,426</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

7 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	89,831	-
	<u>89,831</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	37,939	32,878
	<u>37,939</u>	<u>32,878</u>
Total tax charge	<u>127,770</u>	<u>32,878</u>

The actual 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:

	2023	2022
	£	£
Profit before taxation	1,205,944	1,522,653
	<u>1,205,944</u>	<u>1,522,653</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	229,129	289,304
Tax effect of expenses that are not deductible in determining taxable profit	15,357	8,343
Depreciation on assets not qualifying for tax allowances	(14,672)	(14,005)
Research and development tax credit	(111,150)	(199,630)
Other permanent differences	-	364
Remeasurement of deferred tax for change in rate	9,106	3,608
Deferred Tax not recognised	-	(55,106)
	<u>127,770</u>	<u>32,878</u>
Taxation charge for the year	<u>127,770</u>	<u>32,878</u>

A change in the future UK Corporation tax rate to 25% with effect from 1 April 2023 was announced in the March 2021 budget and substantively enacted on 24 May 2021. This change will have a consequential effect on the company's future tax charge in the UK and therefore deferred tax expected to unwind after 1 April 2023 has been calculated at 25% as opposed to the current tax rate of 19%.

8 Dividends

	2023	2022
	£	£
Interim paid	1,680,000	1,120,000
	<u>1,680,000</u>	<u>1,120,000</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

9 Tangible fixed assets

	Leasehold Improvements	Equipment	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 April 2022	610,713	99,810	151,715	1,313,727	2,175,965
Additions	44,401	2,397	25,175	256,355	328,328
Disposals	(206,708)	(89,905)	(26,983)	(602,837)	(926,433)
At 31 March 2023	448,406	12,302	149,907	967,245	1,577,860
Depreciation and impairment					
At 1 April 2022	545,002	96,200	109,421	1,083,434	1,834,057
Depreciation charged in the year	25,449	2,061	13,526	160,470	201,506
Eliminated in respect of disposals	(205,899)	(89,905)	(26,983)	(602,837)	(925,624)
At 31 March 2023	364,552	8,356	95,964	641,067	1,109,939
Carrying amount					
At 31 March 2023	83,854	3,946	53,943	326,178	467,921
At 31 March 2022	65,711	3,610	42,294	230,293	341,908

10 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	3,792,553	4,060,789
Amounts recoverable on contracts	732,448	687,541
Amounts due from fellow group undertakings	68,656	10
Other debtors	68,868	70,855
Prepayments and accrued income	554,692	460,243
	5,217,217	5,279,438

11 Creditors: amounts falling due within one year

	2023	2022
	£	£
Payments received on account	896,412	778,942
Trade creditors	906,011	1,033,720
Amounts owed to group undertakings	466,893	253,547
Corporation tax	89,831	-
Other taxation and social security	1,260,277	1,169,468
Other creditors	45,231	7,294
Accruals and deferred income	1,183,645	1,203,997
	4,848,300	4,446,968

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12 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 2023 £	Liabilities 2022 £
Balances:		
Fixed asset timing differences	63,508	30,845
Tax losses	(10,535)	(13,988)
Other short-term timing differences	-	(1,823)
	<u>52,973</u>	<u>15,034</u>
		2023 £
Movements in the year:		
Liability at 1 April 2022		15,034
Charge to profit or loss		37,939
		<u>52,973</u>
		<u>52,973</u>

13 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	176,388	140,064
	<u>176,388</u>	<u>140,064</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.

14 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	140,000	140,000	140,000	140,000
	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>

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.

15 Capital redemption reserve

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

16 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.

17 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 Limited's fellow group undertakings at 31 March 2023 is £132,178 (2022 - £298,138).

The company has a continued guarantee of AED50,000 in favour of the Ministry of Economy in place. This has been discharged post year end.

18 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:

	2023 £	2022 £
Within one year	307,623	391,857
Between two and five years	403,430	496,658
In over five years	47,691	-
	<u>758,744</u>	<u>888,515</u>

19 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.

20 Ultimate controlling party

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

The ultimate controlling party is HLM+LD Employee Trust, which has its registered office at Wool + Tailor Building Fifth Floor, 10-12 Alie 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.

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FOR THE YEAR ENDED 31 MARCH 2023

21 Cash generated from operations

	2023	2022
	£	£
Profit for the year after tax	1,078,174	1,489,775
Adjustments for:		
Taxation charged	127,770	32,878
Loss on disposal of tangible fixed assets	809	-
Depreciation and impairment of tangible fixed assets	201,506	133,759
Movements in working capital:		
Decrease/(increase) in debtors	62,221	(1,247,602)
Increase in creditors	311,501	619,614
Cash generated from operations	<u>1,781,981</u>	<u>1,028,424</u>

22 Analysis of changes in net funds

	1 April 2022	Cash flows	31 March 2023
	£	£	£
Cash at bank and in hand	<u>805,488</u>	<u>(226,347)</u>	<u>579,141</u>

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