

Company Registration No. 10060567 (England and Wales)

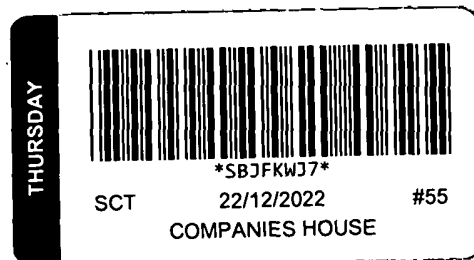


PARENT ACCOUNTS
FOR

088FD318

Section 479a

COVALENT GROUP LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022



COVALENT GROUP LIMITED

COMPANY INFORMATION

Directors

K Mosley
N Beecroft
D Cafferty
J Clarke
C Liddle
M Staniland
R O'Neil

Secretary

K Mosley

Company number

10060567

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

COVALENT GROUP LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6 - 8
Group statement of comprehensive income	9
Group balance sheet	10
Company balance sheet	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group statement of cash flows	14
Notes to the financial statements	15 - 30

COVALENT GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present the strategic report for the year ended 31 March 2022.

Fair review of the business

The Company is a holding company. The Group brings together several longstanding independently managed design led practices and brands – HLM, Llewelyn Davies and Sidell Gibson.

Employee Ownership

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. This year has seen the formation of an Employee Voice Hub further strengthening engagement and enhancing our one team ethos.

HLM

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 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.

Llewelyn Davies

Based in London, Llewelyn Davies continues to be a leader in healthcare design with an established reputation built up over half a century of delivering over 250 major hospitals in 75 countries, as well as delivering quality projects in master planning and international aviation.

We are delighted with the number of major opportunities that the team are generating and their assistance in securing projects for the wider Group.

Sidell Gibson

Sidell Gibson, an architectural practice associated with high quality office, headquarters, retail, residential, conservation and restoration projects, including Windsor Castle and the Jewel Room at the Tower of London.

As with Llewelyn Davies, the team continues to provide valuable assistance in securing projects for the wider Group.

COVALENT GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Principal risks and uncertainties

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

The Group 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;
- Operational issues involving greater emphasis on home and remote working;
- Impact on existing client base and pressure on fee levels and cost base; and
- Delay to project decisions.

Other risks and uncertainties facing the Group can be summarised as follows:

- 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; and
- IT systems, sensitive data and cyber risk.

The Group manages these risks through a process of policies and controls which are set by the Group 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.

The results for the year are shown in the consolidated profit and loss account on page 9.

The Group profit for the year before taxation was £2,868,491 (2021: £1,118,828). Total comprehensive income for the year was £2,867,368 (2021: £1,067,857). The shareholders' funds of the Group total £2,892,263 (2021: £2,038,575).

The group's performance during the year ended 31 March 2022 can be summarised by the following key performance indicators:

- Turnover amounted to £21,397,920 (2021: £15,683,863)
- Operating profit amounted to £2,882,168 (2021: £1,123,523)
- Headcount of the group amounted to 213 (2021: 187)
- Net current assets of the group amounted to £2,644,793 (2021: £2,099,102)

The board recognise that this has been a challenging year following the pandemic whilst experiencing steady recovery in several sectors. Emphasis continues to be placed on efficiencies and Group synergies whilst maintaining flexibility within the businesses. The Group has performed to the satisfaction of the Directors, despite challenging trading conditions.

COVALENT GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Development and performance

Business environment

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

Strategy

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

The Group will continue to concentrate on achieving growth in its existing sectors whilst striving to improve efficiencies, exploitation of economies of scale 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 Group by reference to the following KPIs:

	<u>2022</u>	<u>2021</u>
Turnover	£21.40m	£15.68m
Gross margin	36%	34.0%
EBITDA	14.2%	7.9%

Trading conditions clearly remain challenging for the group. Although opportunities are there to win new work in its chosen sectors, decisions on planned private and public projects have in many cases been delayed due to economic and political uncertainty. The board are satisfied that the group has maintained relatively strong margins throughout the year and without losing capacity to take on these projects when they eventually go ahead.

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 whilst being 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, Covalent Group Limited continues to invest in its brands, new service offerings, new sectors and new geographical markets.

On behalf of the board



C Liddle
Director

Date: 22 December 2022.....

COVALENT GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities

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

Results and dividends

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

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

Directors

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

K Mosley
N Beecroft
D Cafferty
J Clarke
C Liddle
M Staniland
R O'Neil

Future developments

The company has chosen in accordance with Companies Act 2006, s.414C(11) to set out the company's strategic report information required by Large and Medium sized Companies and Groups' (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has been done so in respect of future developments.

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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board



C Liddle
Director

Date: 22 December 2022..

COVALENT GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

COVALENT GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COVALENT GROUP LIMITED

Opinion

We have audited the financial statements of Covalent Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Group Statement of Comprehensive Income, Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity and Company Statement of Changes in Equity, Group Cashflow 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 group's and the parent company's affairs as at 31 March 2022 and of the group's 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 group 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 group's and parent 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.

COVALENT GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF COVALENT GROUP LIMITED

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 parent 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.

Extent to which an audit is 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 obtained an understanding of the legal and regulatory frameworks that are applicable to the group, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK GAAP
- Companies Act 2006
- VAT and Corporation Tax legislation

We gained an understanding of how the group 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 submitted returns and legal fees.

We assessed the susceptibility of the group'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. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

COVALENT GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF COVALENT GROUP LIMITED

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 indications 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; 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Allison Dalton

For and on behalf of Johnston Carmichael LLP

22 December 2022

Chartered Accountants
Statutory Auditor

227 West George Street
Glasgow
G2 2ND

COVALENT GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	3	21,397,920	15,683,863
Cost of sales		(13,695,394)	(10,356,232)
Gross profit		7,702,526	5,327,631
Administrative expenses		(4,820,358)	(4,567,536)
Other operating income		-	363,428
Operating profit	4	2,882,168	1,123,523
Interest payable and similar expenses	8	(13,677)	(4,695)
Profit before taxation		2,868,491	1,118,828
Taxation	9	(1,123)	(50,971)
Profit and total comprehensive income for the year	21	2,867,368	1,067,857

Total comprehensive income for the year is all attributable to the owners of the parent company.

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

COVALENT GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	2021 £
Fixed assets			
Tangible assets	10	403,839	234,702
Current assets			
Debtors	13	6,577,182	5,921,060
Cash at bank and in hand		1,691,385	1,685,432
		8,268,567	7,606,492
Creditors: amounts falling due within one year	14	(5,623,774)	(5,507,390)
Net current assets		2,644,793	2,099,102
Total assets less current liabilities		3,048,632	2,333,804
Creditors: amounts falling due after more than one year	15	(129,997)	(295,229)
Provisions for liabilities			
Deferred tax liability	17	26,372	-
		(26,372)	-
Net assets		2,892,263	2,038,575
Capital and reserves			
Called up share capital	20	140,000	140,000
Share premium account	21	86,320	86,320
Capital redemption reserve	21	20,000	20,000
Other reserves	21	60,000	60,000
Profit and loss reserves	21	2,585,943	1,732,255
Total equity		2,892,263	2,038,575

The financial statements were approved by the board of directors and authorised for issue on 22 December 2022 and are signed on its behalf by:



C Liddle
Director

COVALENT GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	2021 £
Fixed assets			
Investments	11	166,040	166,040
Current assets			
Debtors	13	711,503	851,768
Cash at bank and in hand		19,272	12,037
		<u>730,775</u>	<u>863,805</u>
Creditors: amounts falling due within one year	14	<u>(450,884)</u>	<u>(474,879)</u>
Net current assets		279,891	388,926
Total assets less current liabilities		445,931	554,966
Creditors: amounts falling due after more than one year	15	<u>(129,997)</u>	<u>(295,229)</u>
Net assets		<u>315,934</u>	<u>259,737</u>
Capital and reserves			
Called up share capital	20	140,000	140,000
Share premium account	21	86,320	86,320
Capital redemption reserve	21	20,000	20,000
Profit and loss reserves	21	69,614	13,417
Total equity		<u>315,934</u>	<u>259,737</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £2,069,877 (2021 - £971,586 profit).

The financial statements were approved by the board of directors and authorised for issue on 22 December 2022 and are signed on its behalf by:



C Liddle
Director

Company Registration No. 10060567

COVALENT GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 2019	120,000	-	20,000	60,000	1,703,244	1,903,244
Year ended 31 March 2021:						
Profit and total comprehensive income for the year	-	-	-	-	1,067,857	1,067,857
Issue of share capital	20,000	86,320	-	-	-	106,320
Contribution to Employee Ownership Trust	-	-	-	-	(1,038,846)	(1,038,846)
Balance at 31 March 2021	140,000	86,320	20,000	60,000	1,732,255	2,038,575
Year ended 31 March 2022:						
Profit and total comprehensive income for the year	-	-	-	-	2,867,368	2,867,368
Contribution to Employee Ownership Trust	-	-	-	-	(2,013,680)	(2,013,680)
Balance at 31 March 2022	140,000	86,320	20,000	60,000	2,585,943	2,892,263

COVALENT GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2020	120,000	-	20,000	80,677	220,677
Year ended 31 March 2021:					
Profit and total comprehensive income for the year	-	-	-	971,586	971,586
Issue of share capital	20,000	86,320	-	-	106,320
Contributions to Employee Ownership Trust	-	-	-	(1,038,846)	(1,038,846)
Balance at 31 March 2021	140,000	86,320	20,000	13,417	259,737
Year ended 31 March 2022:					
Profit and total comprehensive income for the year	-	-	-	2,069,877	2,069,877
Contributions to Employee Ownership Trust	-	-	-	(2,013,680)	(2,013,680)
Balance at 31 March 2022	140,000	86,320	20,000	69,614	315,934

COVALENT GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	26	2,531,125		1,493,708	
Interest paid		(13,677)		(4,695)	
Income taxes (paid)/refunded		(12,994)		440,723	
Net cash inflow from operating activities		<u>2,504,454</u>		<u>1,929,736</u>	
Investing activities					
Purchase of tangible fixed assets		(322,731)		(64,410)	
Net cash used in investing activities		<u>(322,731)</u>		<u>(64,410)</u>	
Financing activities					
Proceeds from issue of shares		-		106,320	
Proceeds of new bank loans		-		500,000	
Repayment of bank loans		(162,090)		(39,771)	
Contributions to Employee Ownership Trust		(2,013,680)		(1,038,846)	
Net cash used in financing activities		<u>(2,175,770)</u>		<u>(472,297)</u>	
Net increase in cash and cash equivalents		<u>5,953</u>		<u>1,393,029</u>	
Cash and cash equivalents at beginning of year		<u>1,685,432</u>		<u>292,403</u>	
Cash and cash equivalents at end of year		<u><u>1,691,385</u></u>		<u><u>1,685,432</u></u>	

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Covalent Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Wool + Tailor Building Fifth Floor, 10-12 Alie Street, London, England, E1 8DE

The group consists of Covalent Group Limited and all of its subsidiaries.

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 group and 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.

The 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 for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; 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 Basis of consolidation

The consolidated financial statements incorporate those of Covalent Group Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All intra-group transactions and balances between group companies are eliminated on consolidation.

All financial statements are made up to 31 March 2022. When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. The directors have considered cash flow forecasts for at least a period of 12 months from signing of these financial statements and have performed a sensitivity analysis around the current economic uncertainties. The directors are confident that they can continue to manage any short term operational or commercial challenges presented and based on these factors, the directors are satisfied that it remains appropriate for the group and company to prepare their financial statements on a going concern basis. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 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.

1.5 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 land and buildings	5 to 6 years straight line
Plant and equipment	5 years straight line
Fixtures and fittings	5 and 10 years straight line
Computers	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 recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash at bank and in hand

Cash at bank and in hand 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.

1.9 Financial instruments

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

Financial assets and liabilities are offset and 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.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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 group 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 group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors 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 group's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the group 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 group.

1.11 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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 if, and only if, there is 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.

1.12 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.

1.13 Retirement benefits

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

1.14 Share-based payments

The group participates in an equity-settled share-based payment arrangement granted to certain employees to purchase share in the company. The group has elected to measure its share-based payment expense by applying a valuation technique to determine the value of the share options granted.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

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.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.17 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.

1.18 Amounts recoverable on contracts

Amounts recoverable on contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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 group undertakes contracts which take place over a period of time and revenue and profits are recognised as the group 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 group's turnover is as follows:

	2022 £	2021 £
Turnover		
Provision of design services	21,397,920	15,683,863
	<u>21,397,920</u>	<u>15,683,863</u>
Turnover analysed by geographical market		
	2022 £	2021 £
United Kingdom	13,973,430	14,337,973
Rest of World	7,424,490	1,345,890
	<u>21,397,920</u>	<u>15,683,863</u>

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(68,746)	10,439
Government grants	-	(363,428)
Depreciation of owned tangible fixed assets	153,594	119,691
(Profit)/loss on disposal of tangible fixed assets	-	1,631
Operating lease charges	576,099	583,845

Government grants in the prior year related to amounts received in relation to the Coronavirus Job Retention Scheme.

5 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	3,500	3,000
Audit of the financial statements of the company's subsidiaries	20,500	22,500
	24,000	25,500

6 Employees

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

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Design	180	170	3	18
Admin	33	17	4	4
Total	213	187	7	22

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	8,977,462	7,002,425	797,484	1,097,941
Social security costs	903,114	660,204	99,724	124,254
Pension costs	177,038	126,397	33,869	47,137
	10,057,614	7,789,026	931,077	1,269,332

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	862,283	698,518
Company pension contributions to defined contribution schemes	21,133	24,507
	<u>883,416</u>	<u>723,025</u>

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

	2022 £	2021 £
Remuneration for qualifying services	160,935	139,021
Company pension contributions to defined contribution schemes	3,522	3,501
	<u>164,457</u>	<u>142,522</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2021 - 7).

8 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and loans	13,677	4,695
	<u>13,677</u>	<u>4,695</u>

9 Taxation

	2022 £	2021 £
Current tax		
Adjustments in respect of prior periods	11,775	56,660
	<u>11,775</u>	<u>56,660</u>
Deferred tax		
Origination and reversal of timing differences	(23,943)	(4,521)
Adjustment in respect of prior periods	13,291	(1,168)
	<u>(10,652)</u>	<u>(5,689)</u>
Total deferred tax		
	<u>(10,652)</u>	<u>(5,689)</u>
Total tax charge	<u>1,123</u>	<u>50,971</u>

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

9 Taxation

(Continued)

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:

	2022 £	2021 £
Profit before taxation	2,868,491	1,118,828
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	545,013	212,577
Tax effect of expenses that are not deductible in determining taxable profit	9,362	22,649
Tax effect of income not taxable in determining taxable profit	-	(95,987)
Adjustments in respect of prior years	11,775	56,660
Group relief	-	(140,709)
Permanent capital allowances in excess of depreciation	-	161
Depreciation on assets not qualifying for tax allowances	(17,013)	- 1,969
Research and development tax credit	(304,836)	-
Other permanent differences	364	-
Under/(over) provided in prior years	-	(104)
Deferred tax adjustments in respect of prior years	13,292	(1,168)
Remeasurement for deferred tax rates	(13,464)	(5,077)
Movement in deferred tax not recognised	(243,370)	-
Taxation charge	1,123	50,971

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%.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

10 Tangible fixed assets

Group	Leasehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Computers £	Total £
Cost					
At 1 April 2021	635,530	109,988	100,476	1,162,973	2,008,967
Additions	15,972	-	31,853	274,906	322,731
At 31 March 2022	651,502	109,988	132,329	1,437,879	2,331,698
Depreciation and impairment					
At 1 April 2021	522,380	95,105	99,920	1,056,860	1,774,265
Depreciation charged in the year	34,564	1,981	13,833	103,216	153,594
At 31 March 2022	556,944	97,086	113,753	1,160,076	1,927,859
Carrying amount					
At 31 March 2022	94,558	12,902	18,576	277,803	403,839
At 31 March 2021	113,150	14,883	556	106,113	234,702

The company had no tangible fixed assets at 31 March 2022 or 31 March 2021.

11 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	12	-	-	166,040	166,040
Movements in fixed asset investments					
Company					Shares in subsidiaries £
Cost or valuation					
At 1 April 2021 and 31 March 2022					166,040
Carrying amount					
At 31 March 2022					166,040
At 31 March 2021					166,040

12 Subsidiaries

Details of the company's subsidiaries at 31 March 2022 are as follows:

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

12 Subsidiaries

(Continued)

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
33 Design Limited	1	Architects	Ordinary	100.00
HLMAD Limited T/A HLM Architects	1	Architects	Ordinary	100.00
Llewelyn Davies Weeks Limited	2	Architects	Ordinary	100.00
Sidell Gibson Limited	1	Architects	Ordinary	100.00

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

2 - The Rookery Third Floor, 2 Dyott Street, London, England, WC1A 1DE

The following subsidiaries are exempt from the audit requirements of their individual accounts in relation to S479A of the Companies Act 2006 relating to subsidiary companies:

- Sidell Gibson Limited, company number 08656155; and
- 33 Design Limited, company number 08880318.

13 Debtors

	Group 2022 £	2021 £	Company 2022 £	2021 £
Amounts falling due within one year:				
Trade debtors	4,877,687	4,430,601	-	-
Gross amounts owed by contract customers	972,397	849,443	-	-
Corporation tax recoverable	296	-	-	-
Amounts owed by group undertakings	-	-	599,378	789,744
Other debtors	157,861	164,904	43,965	48,732
Prepayments and accrued income	500,781	444,976	-	-
	<u>6,509,022</u>	<u>5,889,924</u>	<u>643,343</u>	<u>838,476</u>
Deferred tax asset (note 17)	68,160	31,136	68,160	13,292
	<u>6,577,182</u>	<u>5,921,060</u>	<u>711,503</u>	<u>851,768</u>

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

14 Creditors: amounts falling due within one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans	16	168,142	165,000	168,142	165,000
Payments received on account		869,018	622,487	-	-
Trade creditors		1,260,038	1,378,946	16,251	59,070
Corporation tax payable		-	922	-	922
Other taxation and social security		1,403,289	1,449,754	100,964	188,473
Other creditors		39,056	237,721	29,700	33,618
Accruals and deferred income		1,884,231	1,652,560	135,827	27,796
		<u>5,623,774</u>	<u>5,507,390</u>	<u>450,884</u>	<u>474,879</u>

15 Creditors: amounts falling due after more than one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans and overdrafts	16	129,997	295,229	129,997	295,229

16 Loans and overdrafts

	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans	298,139	460,229	298,139	460,229
Payable within one year	168,142	165,000	168,142	165,000
Payable after one year	129,997	295,229	129,997	295,229

The bank facilities are secured by a debenture including fixed charge over all present freehold and leasehold property and a fixed and floating charge over all assets of the group.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Group				
Accelerated capital allowances	42,183	-	-	13,231
Tax losses	(13,988)	-	68,160	12,858
Other short-term differences	(1,823)	-	-	5,047
	<u>26,372</u>	<u>-</u>	<u>68,160</u>	<u>31,136</u>
	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Company				
Accelerated capital allowances	-	-	-	434
Tax losses	-	-	68,160	12,858
	<u>-</u>	<u>-</u>	<u>68,160</u>	<u>13,292</u>
			Group 2022 £	Company 2022 £
Movements in the year:				
Asset at 1 April 2021			(31,136)	(13,292)
Credit to profit or loss			(10,652)	(54,868)
Asset at 31 March 2022			<u>(41,788)</u>	<u>(68,160)</u>

The deferred tax liabilities set out above relate to accelerated capital allowances and other short-term timing differences. These differences are expected to reverse within 12 months.

18 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>177,038</u>	<u>208,206</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

19 Share-based payment transactions Group and company

	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 April 2021	-	20,000	-	5.32
Exercised	-	(20,000)	-	5.32
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Outstanding at 31 March 2022	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Exercisable at 31 March 2022	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Group and company

Inputs were as follows:

	2022	2021
Expected volatility	-	50.00
Expected life	-	10.00
Risk free rate	-	1.20
	<u>-</u>	<u>-</u>

All options have been exercised.

20 Share capital

	Group and company	
	2022 £	2021 £
Ordinary share capital Issued and fully paid		
140,000 Ordinary share capital of £1 each	140,000	140,000
	<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.

21 Reserves

Share premium

Share premium represents amounts received for equity instruments in excess of their par value.

Capital redemption reserve

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

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

21 Reserves

(Continued)

Profit and loss reserves

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

Other reserves

Other reserves consist of the foreign currency translation reserve and the merger reserve.

The foreign currency reserve relates to all temporary gains and losses on balance sheet items, arising from movements in the exchange rates relevant to those items.

The merger reserve arises when the consideration and nominal value of the shares issued during a merger or demerger and the fair value of the assets transferred differ.

22 Financial commitments, guarantees and contingent liabilities

There is a cross-company guarantee between Covalent Group Limited, HLMAD Limited, Sidell Gibson Limited, Llewelyn Davies Weeks Limited and 33 Design Limited in respect of HSBC Bank Plc borrowings. At 31 March 2022 there was £298,139 (2021: £460,229) outstanding to the bank by the other parties to this guarantee.

The Group have granted a guarantee of AED50,000 in favour of Ministry of Economy.

23 Operating lease commitments

Lessee

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

	Group 2022 £	2021 £	Company 2022 £	2021 £
Within one year	503,079	400,177	-	-
Between two and five years	682,028	822,894	-	-
	<u>1,185,107</u>	<u>1,223,071</u>	<u>-</u>	<u>-</u>

24 Related party transactions

The company has taken advantage of the exemption available under section 33.1a of FRS 102 whereby it has not disclosed transactions with any wholly owned subsidiaries of the group.

During the year payments of £2,013,680 (2021 - £1,038,846) were made to the Employee Ownership Trust.

During the year payments of £57,000 of consultancy fees were paid to a director.

25 Controlling party

The ultimate controlling party is HLM+LD Employee Ownership Trust, which has its registered office at Wool + Tailor Building Fifth Floor, 10-12 Alie Street, London, E1 8DE.

COVALENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

26 Cash generated from group operations

	2022 £	2021 £
Profit for the year after tax	2,867,368	1,067,857
Adjustments for:		
Taxation charged	1,123	50,971
Finance costs	13,677	4,695
(Gain)/loss on disposal of tangible fixed assets	-	1,375
Depreciation and impairment of tangible fixed assets	153,594	119,691
Movements in working capital:		
Increase in debtors	(618,802)	(1,011,993)
Increase in creditors	114,165	1,261,112
Cash generated from operations	2,531,125	1,493,708

27 Analysis of changes in net funds - group

	1 April 2021 £	Cash flows £	31 March 2022 £
Cash at bank and in hand	1,685,432	5,953	1,691,385
Borrowings excluding overdrafts	(460,229)	162,090	(298,139)
	1,225,203	168,043	1,393,246