Company Registration No. 10060567 (England and Wales)

COVALENT GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

COVALENT GROUP LIMITED

COMPANY INFORMATION

Directors	Ms K S Mosley	
	Mr N J Beecroft	
	Mr D M Cafferty	
	Mr J G Clarke	
	Mr C Liddle	
	Mr M Staniland	
	Mr R O'Neil	
	Mr M J Earnshaw	(Appointed 1 October 2017)
Secretary	Ms K S Mosley	
Company number	10060567	
Registered office	Ground Floor 46 Loman Street LONDON SE1 0EH	
Auditor	Johnston Carmichael LLP 227 West George Street GLASGOW G2 2ND	

COVALENT GROUP LIMITED

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COVALENT GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present the strategic report for the year ended 31 March 2018.

Fair review of the business
The Company is a holding company. The Group brings together a number of longstanding independently managed design led practices and brands – HLM, Llewelyn Davies and Sidell Gibson – together with our recently established "33" interior design practice and HLMGreenBuild joint venture.

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

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

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

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

In the Middle East we have been successful in delivering several major projects and continue to see significant opportunities for developing our business in this region.

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 masterplanning and international aviation.

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

Sidell Gibson
Progress has continued to be made in capitalising on the Sidell Gibson brand - a well-respected 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.

"33"
Established in 2014, "33" is a London based interior design practice which focuses on high-end residential, hospitality and commercial projects.

We are delighted with the progress that has been made in penetrating these specialised market sectors and successfully securing a number of major new projects.

Principal risks and uncertainties
The principal 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
- IT systems, sensitive date and cyber risk
- The UK's exit from the European Union

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.

Development and performance
Following a group re-organisation on 31 March 2016, the company acquired the entire share capital of its subsidiary undertakings from HLMAD Limited (HLM).

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

The group loss for the year after taxation was £18,231 (2017: £79,416 profit). Total comprehensive losses for the year were £18,231 (2017: £83,013 income). The shareholders' funds of the Group total £873,813 (2017: £1,235,775).

The group's performance during the year ended 31 March 2018 can be summarised by the following key performance indicators:

- Turnover amounted to £15,564,541 (2017: £16,275,281)

- Operating profit amounted to £113,370 (2016: £148,336)

- Headcount of the group amounted to 192 (2017: 213)

- Net current assets of the group amounted to £459,709 (2017: £612,367)

The board recognise that this has been a challenging year as potential projects were delayed by political uncertainty surrounding Brexit and other matters, placing downward pressure on revenues and profitability. Greater emphasis has been placed on efficiencies and group synergies. The group has performed to the satisfaction of the Directors, despite challenging trading conditions.

Business environment
The design market is highly competitive within a number of 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:

	2018	2017
Turnover	£15.56m	£16.28m
Gross margin	32.4%	33.8%
EBITDA	3%	4%

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 political uncertainty and this clearly has an effect on the group. The board are satisfied that despite the fall in turnover 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 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.

Other information and explanations

Strategic management
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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

....
Mr C Liddle
Director
19 December 2018

The directors present their annual report and financial statements for the year ended 31 March 2018.

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.

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

Ms K S Mosley	
Mr N J Beecroft	
Ms C Buckingham	(Resigned 11 August 2017)
Mr D M Cafferty	
Mr J G Clarke	
Mr C Liddle	
Mr M Staniland	
Mr R O'Neil	
Mr M J Earnshaw	(Appointed 1 October 2017)

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

Ordinary dividends were paid amounting to £132,000. The directors do not recommend payment of a further dividend.

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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.

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

Mr C Liddle
Director
Date: 19 December 2018

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 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 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 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 group's and 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 group or the parent 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.

Auditor's responsibilities for the audit of the financial statements (continued)
As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Johnston Carmichael LLP

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

26/11/18

Chartered Accountants
Statutory Auditor

227 West George Street
GLASGOW
G2 2ND

COVALENT GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	3	15,564,541	16,275,281
Cost of sales		(10,523,765)	(10,769,068)
Gross profit		5,040,776	5,506,213
Administrative expenses		(4,927,406)	(5,501,624)
Other operating income		-	143,747
Operating profit	4	113,370	148,336
Interest receivable and similar income	8	-	135
Interest payable and similar expenses	9	(60,404)	(42,182)
Loss on disposal of subsidiaries		(37,020)	-
Profit before taxation		15,946	106,289
Taxation	10	(34,177)	(26,873)
(Loss)/profit for the financial year	24	(18,231)	79,416

(Loss)/profit for the financial 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 STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	£	£
(Loss)/profit for the year	(18,231)	79,416
Other comprehensive income		
Movements on currency translation reserve	-	3,597
Total comprehensive income for the year	(18,231)	83,013

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

COVALENT GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	**12**		414,952		711,494
Current assets					
Debtors	**16**	5,844,961		5,649,082	
Cash at bank and in hand		326,573		163,435	
		6,171,534		5,812,517	
Creditors: amounts falling due within one year	**17**	(5,711,825)		(5,200,150)	
Net current assets			459,709		612,367
Total assets less current liabilities			874,661		1,323,861
Creditors: amounts falling due after more than one year	**18**		-		(73,880)
Provisions for liabilities	**21**		(848)		(14,206)
Net assets			873,813		1,235,775
Capital and reserves					
Called up share capital	**23**		120,000		140,000
Other reserves	**24**		60,000		71,731
Capital redemption reserve	**24**		20,000		-
Profit and loss reserves	**24**		673,813		1,024,044
Total equity			873,813		1,235,775

The financial statements were approved by the board of directors and authorised for issue on 19 December 2018 and are signed on its behalf by:

Mr C Liddle
Director

M Staniland

Mr M Staniland
Director

COVALENT GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Investments	13		166,040		166,040
Current assets					
Debtors	16	1,561,351		196,099	
Cash at bank and in hand		-		18,933	
		1,561,351		215,032	
Creditors: amounts falling due within one year	17	(1,586,538)		(232,077)	
Net current liabilities			(25,187)		(17,045)
Total assets less current liabilities			140,853		148,995
Capital and reserves					
Called up share capital	23		120,000		140,000
Capital redemption reserve	24		20,000		-
Profit and loss reserves	24		853		8,995
Total equity			140,853		148,995

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 period was £323,858 (2017 - £183,495).

The financial statements were approved by the board of directors and authorised for issue on 19 December 2018 and are signed on its behalf by:

Mr C Liddle
Director

Company Registration No. 10060567

COVALENT GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Share capital	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 31 March 2016		140,000	-	68,134	1,119,128	1,327,262
Year ended 31 March 2017:						
Profit and total comprehensive income for the year		-	-	-	79,416	79,416
Dividends	11	-	-	-	(174,500)	(174,500)
Currency translation differences on overseas subsidiaries		-	-	3,597	-	3,597
Balance at 31 March 2017		140,000	-	71,731	1,024,044	1,235,775
Year ended 31 March 2018:						
Loss and total comprehensive income for the year		-	-	-	(18,231)	(18,231)
Dividends	11	-	-	-	(132,000)	(132,000)
Repurchase of shares	23	(20,000)	20,000	-	(200,000)	(200,000)
Transfer on disposal of subsidiary		-	-	(11,731)	-	(11,731)
Balance at 31 March 2018		120,000	20,000	60,000	673,813	873,813

COVALENT GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 14 March 2016		-	-	-	-
Year ended 31 March 2017:					
Profit and total comprehensive income for the year		-	-	183,495	183,495
Issue of share capital	23	140,000	-	-	140,000
Dividends	11	-	-	(174,500)	(174,500)
Balance at 31 March 2017		140,000	-	8,995	148,995
Year ended 31 March 2018:					
Profit and total comprehensive income for the year		-	-	323,858	323,858
Dividends	11	-	-	(132,000)	(132,000)
Repurchase of shares	23	(20,000)	20,000	(200,000)	(200,000)
Balance at 31 March 2018		120,000	20,000	853	140,853

COVALENT GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	27		469,778		(217,425)
Interest paid			(60,404)		(42,182)
Income taxes paid			(21,089)		(25,566)
Net cash inflow/(outflow) from operating activities			388,285		(285,173)
Investing activities					
Purchase of tangible fixed assets		(73,640)		(279,417)	
Net cash flow on disposal of subsidiary		(109,491)		-	
Interest received		-		135	
Net cash used in investing activities			(183,131)		(279,282)
Financing activities					
Movement in directors loan account		-		17,017	
Other distributions to shareholders		(200,000)		-	
Payment of finance leases obligations		(100,464)		(146,646)	
Dividends paid to equity shareholders		(132,000)		(174,500)	
Net cash used in financing activities			(432,464)		(304,129)
Net decrease in cash and cash equivalents			(227,310)		(868,584)
Cash and cash equivalents at beginning of year			(793,160)		75,424
Cash and cash equivalents at end of year			(1,020,470)		(793,160)
Relating to:					
Cash at bank and in hand			326,573		163,435
Bank overdrafts included in creditors payable within one year			(1,347,043)		(956,595)

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 Ground Floor, 46 Loman Street, LONDON, SE1 0EH.

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 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.

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.

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.

On 31 March 2016, the group carried out a restructuring which included the introduction of a new parent holding company, Covalent Group Limited, which acquired the entire share capital of HLMAD Limited t/a HLM by way of a share for share exchange. Given the consideration was wholly a share for share exchange and the rights of each shareholder relative to the other have remained the same, compliance with the Companies Act 2016 and FRS 102 section 19 allows the restructuring to be accounted for as a merger.

The group profit and loss account and cash flow statement have been prepared using merger accounting and are presented on a pro forma basis as if the new holding company has been in existence throughout the prior period.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies **(Continued)**

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 or valuation, net of depreciation and any impairment losses.

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

Leasehold improvements	5 to 6 years straight line
Equipment	5 years straight line
Fixtures and fittings	5 and 10 years straight line
Computer equipment	2 to 3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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 and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, 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.

1 Accounting policies **(Continued)**

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

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.

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, loans from fellow group companies and preference shares that are classified as debt, 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 direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1 Accounting policies **(Continued)**

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.

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 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

1 Accounting policies **(Continued)**

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.16 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

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

Useful lives of fixed assets

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

3 Turnover and other revenue

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

	2018	2017
	£	£
Turnover		
Provision of design services	15,564,541	16,275,281

3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2018 £	2017 £
United Kingdom	14,049,276	14,367,201
Rest of World	1,515,265	1,908,080
	15,564,541	16,275,281

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(18,052)	(133,449)
Depreciation of owned tangible fixed assets	297,458	405,028
Depreciation of tangible fixed assets held under finance leases	54,025	87,832
Impairment of owned tangible fixed assets	-	19,438
(Profit)/loss on disposal of tangible fixed assets	-	5,903
Operating lease charges	750,085	854,668

5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	2,500	2,000
Audit of the financial statements of the company's subsidiaries	21,450	24,250
	23,950	26,250

6 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Admin	34	37	17	17
Design	158	176	4	5
	192	213	21	22

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	6,849,728	7,592,158	1,185,544	965,496
Social security costs	634,360	756,985	69,532	113,533
Pension costs	175,687	131,739	26,863	25,089
	7,659,775	8,480,882	1,281,939	1,104,118

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	636,322	483,347
Company pension contributions to defined contribution schemes	1,007	7,670
	637,329	491,017

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2017 - 6).

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

	2018 £	2017 £
Remuneration for qualifying services	112,894	101,691
Company pension contributions to defined contribution schemes	532	433

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	-	135

9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	51,806	25,629
Interest on finance leases and hire purchase contracts	8,598	16,478
	60,404	42,107
Other finance costs:		
Other interest	-	75
Total finance costs	60,404	42,182

10 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	71,699	75,362
Adjustments in respect of prior periods	(10,575)	(24,463)
Total current tax	61,124	50,899
Deferred tax		
Origination and reversal of timing differences	(26,758)	(24,026)
Other adjustments	(189)	-
Total deferred tax	(26,947)	(24,026)
Total tax charge for the year	34,177	26,873

10 Taxation (Continued)

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

	2018	2017
	£	£
Profit before taxation	15,946	106,289
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	3,030	21,258
Tax effect of expenses that are not deductible in determining taxable profit	25,310	29,718
Adjustments in respect of prior years	(10,575)	(24,463)
Permanent capital allowances in excess of depreciation	198	464
Depreciation on assets not qualifying for tax allowances	835	1,723
Deferred tax adjustments in respect of prior years	(189)	4,801
To adjust deferred tax rate	3,640	(4,639)
Deferred Tax not recognised	4,181	1,507
Other differences	7,747	(3,496)
Taxation charge for the year	34,177	26,873

11 Dividends

	2018	2017
	£	£
Interim paid	132,000	174,500

12 Tangible fixed assets

Group	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 April 2017	686,460	100,082	136,837	1,428,840	2,352,219
Additions	10,169	-	15,670	47,801	73,640
Disposals	-	-	(65,194)	(95,161)	(160,355)
Exchange adjustments	-	-	120	175	295
At 31 March 2018	696,629	100,082	87,433	1,381,655	2,265,799
Depreciation and impairment					
At 1 April 2017	581,508	50,005	88,413	920,799	1,640,725
Depreciation charged in the year	22,411	16,901	24,234	287,937	351,483
Eliminated in respect of disposals	-	-	(57,046)	(85,300)	(142,346)
Exchange adjustments	-	-	264	720	984
At 31 March 2018	603,919	66,906	55,866	1,124,156	1,850,847
Carrying amount					
At 31 March 2018	92,710	33,176	31,567	257,499	414,952
At 31 March 2017	104,952	50,077	48,424	508,041	711,494

The company had no tangible fixed assets at 31 March 2018 or 31 March 2017.

13 Fixed asset investments

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	166,040	166,040

Movements in fixed asset investments

Company	Shares in group undertakings
	£
Cost or valuation	
At 1 April 2017 and 31 March 2018	166,040
Carrying amount	
At 31 March 2018	166,040
At 31 March 2017	166,040

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
33 Design Limited	England & Wales	Architects	Ordinary		100.00
HLMAD Limited T/A HLM	England & Wales	Architects	Ordinary		100.00
Llewelyn Davies Weeks Limited	England & Wales	Architects	Ordinary		100.00
Sidell Gibson Limited	England & Wales	Architects	Ordinary		100.00

During the year the company disposed of its investment in HLM Africa (Pty) Ltd.

15 Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	4,102,142	3,643,935	1,540,643	176,282
Carrying amount of financial liabilities				
Measured at amortised cost	4,628,531	4,302,192	1,492,241	73,994

16 Debtors

Amounts falling due within one year:	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	3,908,391	3,453,728	-	-
Gross amounts due from contract customers	1,068,849	1,208,680	-	-
Amounts owed by group undertakings	-	-	1,540,643	176,043
Other debtors	202,752	213,650	-	239
Prepayments and accrued income	664,969	773,024	20,708	19,817
	5,844,961	5,649,082	1,561,351	196,099

17 Creditors: amounts falling due within one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Bank loans and overdrafts	19	1,347,043	956,595	1,347,043	-
Obligations under finance leases	20	76,327	102,911	-	-
Payments received on account		297,311	518,715	-	-
Trade creditors		1,957,417	1,926,938	37,460	19,817
Corporation tax payable		95,295	72,082	34,648	34,648
Other taxation and social security		1,128,326	899,756	59,649	123,435
Other creditors		106,747	66,887	77,172	37,661
Accruals and deferred income		703,359	656,266	30,566	16,516
		5,711,825	5,200,150	1,586,538	232,077

The full amount due under hire purchase and finance leases is secured on the assets being financed. The bank overdraft is secured by a composite guarantee over the assets of the group.

18 Creditors: amounts falling due after more than one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Obligations under finance leases	20	-	73,880	-	-

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

19 Loans and overdrafts

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank overdrafts	1,347,043	956,595	1,347,043	-
Payable within one year	1,347,043	956,595	1,347,043	-

20 Finance lease obligations

	Group 2018 £	2017 £	Company 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Within one year	76,327	102,911	-	-
In two to five years	-	73,880	-	-
	76,327	176,791	-	-

21 Deferred taxation

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

Group	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	848	30,327
Tax losses	-	(23,501)
Other short-term differences	-	7,380
	848	14,206

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2018 £	Company 2018 £
Liability at 1 April 2017	14,206	-
Credit to profit or loss	(26,947)	-
Transfer on disposal	13,589	-
Liability at 31 March 2018	848	-

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.

22 Retirement benefit schemes

Defined contribution schemes	2018 £	2017 £
Charge to profit or loss in respect of defined contribution schemes	186,191	139,508

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.

23 Share capital

	Group and company	
Ordinary share capital	**2018 £**	**2017 £**
Issued and fully paid		
120,000 Ordinary share capital of £1 each	120,000	140,000

Reconciliation of movements during the year:

	Ordinary shares Number
At 1 April 2017	140,000
Redemption of shares	(20,000)
At 31 March 2018	120,000

On 7 August 2017 the company repurchased and cancelled 20,000 ordinary £1 shares for a consideration of £200,000.

24 Reserves

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

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.

25 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		Company	
	2018	2017	2018	2017
	£	£	£	£
Within one year	301,509	629,437	-	-
Between two and five years	195,263	552,330	-	-
	496,772	1,181,767	-	-

26 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2018	2017
	£	£
Aggregate compensation	1,197,982	1,085,274

There is a cross-company guarantee between the company, HLMAD Limited, Sidell Gibson Limited, Llewelyn Davies Weeks Limited, 33 Design Limited and HSBC Bank Plc for all debts owed. At 31 March 2018 there was £1,347,043 (2017: £956,595) outstanding to the bank by the other parties to this guarantee.

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.

27 Cash generated from group operations

	2018	2017
	£	£
(Loss)/profit for the year after tax	(18,231)	79,416
Adjustments for:		
Taxation charged	34,177	26,873
Finance costs	60,404	42,182
Investment income	-	(135)
(Gain)/loss on disposal of tangible fixed assets	-	5,903
Amortisation and impairment of intangible assets	-	19,438
Depreciation and impairment of tangible fixed assets	351,483	492,860
Foreign Exchange effects	64,816	(12,730)
Loss on disposal of subsidiary	37,020	-
Movements in working capital:		
(Increase) in debtors	(244,349)	(238,897)
Increase/(decrease) in creditors	184,458	(632,335)
Cash generated from/(absorbed by) operations	469,778	(217,425)