

Company Registration No. 03556493 (England and Wales)

HMI ELEMENTS LIMITED

**UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 DECEMBER 2021**

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HMI ELEMENTS LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 30 DECEMBER 2021**

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	3		2,084,732		1,994,036
Tangible assets	4		137,048		139,597
Investments	5		3,242		3,242
			<u>2,225,022</u>		<u>2,136,875</u>
Current assets					
Stocks		1,021,241		1,311,125	
Debtors	6	1,362,711		636,779	
Cash at bank and in hand		32,719		584	
			<u>2,416,671</u>		<u>1,948,488</u>
Creditors: amounts falling due within one year	7	<u>(3,068,825)</u>		<u>(2,424,496)</u>	
Net current liabilities			<u>(652,154)</u>		<u>(476,008)</u>
Total assets less current liabilities			<u>1,572,868</u>		<u>1,660,867</u>
Creditors: amounts falling due after more than one year	8		(155,097)		(171,690)
Provisions for liabilities	9		(187,122)		(126,517)
Net assets			<u>1,230,649</u>		<u>1,362,660</u>
Capital and reserves					
Called up share capital			200,000		200,000
Profit and loss reserves			1,030,649		1,162,660
Total equity			<u>1,230,649</u>		<u>1,362,660</u>

The directors of the company have elected not to include a copy of the income statement within the financial statements.

For the financial year ended 30 December 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

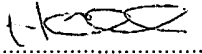
These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

HMI ELEMENTS LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on 02/03/22
and are signed on its behalf by:



.....
H Gould
Director

HMI ELEMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2021

1 Accounting policies

Company information

HMI Elements Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 46 Barkston House, Croydon Street, Leeds, West Yorkshire, LS11 9RT.

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", including the adoption of the amendments issued in December 2017 ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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.

Consolidation

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

Going concern

The financial statements have been prepared on a going concern basis notwithstanding net current liabilities of £652,154 (2020 - £476,008), the company has seen a reduction in trading as a result of the Covid-19 pandemic. Nevertheless, after making full enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future and meet its liabilities as they fall due. This is supported by ongoing support from the company's Bankers, the continuing benefits of the 2020 reorganisation, a strong opening 2022 order book, a healthy sales pipeline, rising oil prices, consistent increases in Rig Count and growing signs of market confidence as the Covid-19 vaccine program rolls out.

The speedy right sizing of the ongoing operations, the achievement of organisational efficiencies and cost savings leaves the company fitter and well prepared to scale the operation as the marketplace recovers.

For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the company has fulfilled its contractual obligation and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

HMI ELEMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 DECEMBER 2021

1 Accounting policies (Continued)

Research and development expenditure

Expenditure on research and development is charged to the income statement in the year in which it is incurred with the exception of expenditure on the development of certain major new product projects where it is able to demonstrate: the technical feasibility of completing the development so the asset would be available for use or sale; its intention to complete the development and to use or sell the asset; its ability to use or sell the asset; how the asset will generate probably future economic benefits; the availability of adequate resources to complete the development and to use or sell the asset; its ability to measure reliably the expenditure attributable to the asset during its development. Such expenditure is capitalised and amortised over a period not longer than 10 years commencing in the year sales of the product are first made. The directors consider this to be appropriate taking into consideration projections and prior experience.

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Product development - 10% straight line basis.

Tangible fixed assets

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

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

Leasehold improvements	20% straight line basis
Plant and machinery	20% straight line basis

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

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

Stocks

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Cost is computed on a first in first out basis.

HMI ELEMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 DECEMBER 2021

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other 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.

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

Equity instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

HMI ELEMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 DECEMBER 2021

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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.

Retirement benefits

The company makes contributions into the personal pension schemes of certain employees and the pension charge represents the amounts payable by the company to the fund in respect of the year.

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.

2 Employees

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

	2021 Number	2020 Number
Total	23	26

HMI ELEMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 DECEMBER 2021

3 Intangible fixed assets

	Product development £
Cost	
At 31 December 2020	3,349,162
Additions	437,547
	<u>3,786,709</u>
At 30 December 2021	3,786,709
Amortisation and impairment	
At 31 December 2020	1,355,126
Amortisation charged for the year	346,851
	<u>1,701,977</u>
At 30 December 2021	1,701,977
Carrying amount	
At 30 December 2021	<u>2,084,732</u>
At 30 December 2020	<u>1,994,036</u>

4 Tangible fixed assets

	Leasehold improvements £	Plant and machinery etc £	Total £
Cost			
At 31 December 2020	529,616	861,828	1,391,444
Additions	-	48,405	48,405
	<u>529,616</u>	<u>910,233</u>	<u>1,439,849</u>
At 30 December 2021	529,616	910,233	1,439,849
Depreciation and impairment			
At 31 December 2020	510,888	740,959	1,251,847
Depreciation charged in the year	5,870	45,084	50,954
	<u>516,758</u>	<u>786,043</u>	<u>1,302,801</u>
At 30 December 2021	516,758	786,043	1,302,801
Carrying amount			
At 30 December 2021	<u>12,858</u>	<u>124,190</u>	<u>137,048</u>
At 30 December 2020	<u>18,727</u>	<u>120,870</u>	<u>139,597</u>

5 Fixed asset investments

	2021 £	2020 £
Shares in group undertakings	<u>3,242</u>	<u>3,242</u>

HMI ELEMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 DECEMBER 2021

6 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	990,414	292,606
Corporation tax recoverable	130,122	147,356
Amounts owed by group undertakings	148,396	116,763
Other debtors	93,779	80,054
	<u>1,362,711</u>	<u>636,779</u>

7 Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	1,591,665	988,896
Trade creditors	757,509	722,846
Amounts owed to group undertakings	550,833	495,458
Taxation and social security	84,328	29,487
Other creditors	84,490	187,809
	<u>3,068,825</u>	<u>2,424,496</u>

Bank loans and overdrafts of £1,591,665 (2020 - £988,896), represents bank overdrafts of £578,953 (2020 - £665,019), invoice discounting balances of £840,726 (2020 - £245,567) and the short term element of loans under the Coronavirus Business Interruption Loan Scheme ("CBILS") of £171,986 (2020 - £78,310).

Bank overdrafts are secured by fixed and floating charges over the undertaking and all property and assets present and future of the company. Invoice discounting balances are secured against the company's debtors.

The CBILS loans were taken out in May 2020 and May 2021 respectively. As with other loans of this nature, 80% of the loans are guaranteed by HM Government. The remaining 20% is unsecured. HM Government is covering the first year's interest payments. The capital repayments on the 2020 and 2021 loans began in May 2021 and June 2022 respectively. Interest is charged at 3.49% per annum.

8 Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Bank loans	<u>155,097</u>	<u>171,690</u>

Bank loans of £155,097 (2020 - £171,690) represent the long term element of the CBILS loans referred to in the previous note.

HMI ELEMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 DECEMBER 2021

9 Provisions for liabilities

		2021 £	2020 £
Warranty provision		11,104	19,940
Deferred tax liabilities	10	176,018	106,577
		<u>187,122</u>	<u>126,517</u>

Provisions for the expected costs of maintenance under guarantees are charged to the profit and loss account when products have been invoiced. The effect of the time value of money is not material and therefore provisions have not been discounted.

10 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	542,684	392,956
Tax losses	(364,713)	(277,182)
Short term timing differences	(1,953)	(9,197)
	<u>176,018</u>	<u>106,577</u>
		2021 £
Liability at 31 December 2020		106,577
Charge to profit or loss		69,441
Liability at 30 December 2021		<u>176,018</u>