

Registered number

01564814

Hirst Magnetic Instruments Ltd

Filleted Accounts

30 June 2022

Hirst Magnetic Instruments Ltd**Registered number:** 01564814**Balance Sheet****as at 30 June 2022**

	Notes	2022 £	2021 £
Fixed assets			
Intangible assets	3	747,104	1,065,142
Tangible assets	4	75,654	343,303
		<u>822,758</u>	<u>1,408,445</u>
Current assets			
Stocks		250,346	216,658
Debtors	5	325,136	154,448
Cash at bank and in hand		271,638	46,344
		<u>847,120</u>	<u>417,450</u>
Creditors: amounts falling due within one year	6	(575,464)	(189,828)
Net current assets		<u>271,656</u>	<u>227,622</u>
Total assets less current liabilities		<u>1,094,414</u>	<u>1,636,067</u>
Creditors: amounts falling due after more than one year	7	(558,026)	(759,056)
Provisions for liabilities		-	(15,465)
Net assets		<u><u>536,388</u></u>	<u><u>861,546</u></u>
Capital and reserves			
Called up share capital		31,310	31,310
Revaluation reserve	9	-	60,288
Profit and loss account		505,078	769,948
Shareholders' funds		<u><u>536,388</u></u>	<u><u>861,546</u></u>

The directors are satisfied that the company is entitled to exemption from the requirement to obtain an audit under section 477 of the Companies Act 2006.

The members have not required the company to obtain an audit in accordance with section 476 of the Act.

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

The accounts have been prepared and delivered in accordance with the special provisions

applicable to companies subject to the small companies regime. The profit and loss account has not been delivered to the Registrar of Companies.

Dr J S McKenzie

Director

Approved by the board on 1 December 2022

Hirst Magnetic Instruments Ltd
Notes to the Accounts
for the year ended 30 June 2022

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost as modified by the revaluation of certain fixed assets and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (as applied to small entities by section 1A of the standard).

Going Concern

The company is reliant upon the continued support of its bankers, the directors, key customers, and shareholders. A deferral of the planned equity fund raising in 2021 has required the company to manage cashflow, focus on completing sales, maintain its order book, and form commercial partnerships with complementary companies in the magnetics sector. Based on this, the directors are confident that the company will continue trading for the foreseeable future. While the plans of the company have been disrupted and created unexpected challenges, the company has adapted to circumstances, maintained momentum, refreshed its product offering, revamped its website, raised its visibility in the magnetics marketplace and believes it can take its place in the expanding market of magnetics, based on its role in Chinese markets while also opening access to the US, Korea and Europe.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs.

Other Operating Income

This mainly consists of grants from various organisations including the government, this income has dramatically reduced in FY22 to £52.6k from £255K in FY21.

Intangible fixed assets

Intangible fixed assets are measured at cost less accumulative amortisation and any accumulative impairment losses. The directors have agreed to capitalise research and development costs which are amortised over 10 years. Research and development costs that become redundant will be written off in full during the year as soon as they are identified.

Grants

Government grants are measured using the performance model as agreed by the directors.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and buildings, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land	no charge
Freehold buildings	over 40 years
Website	over 4 years
Plant and machinery	over 10 years
Fixtures, fittings, tools and equipment	over 4-5 years

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first in first out method. The carrying amount of stock sold is recognised as an expense in the period in which the related revenue is recognised.

Work in progress is a combination of material and labour costs incurred in relation to a specific job(s) and these are valued at cost.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Foreign currency translation

Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated at the closing rate of exchange. Non-monetary items that are measured at historical cost are translated at the rate ruling at the date of the transaction. All differences are charged to profit or loss.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated in accordance with the company's policy for tangible fixed assets. If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term and its useful life. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Pensions

Contributions to defined contribution plans are expensed in the period to which they relate.

2 Employees	2022	2021
	Number	Number
Average number of persons employed by the company	31	35

The average number of employees fell slightly in 2022 to 31 (35 in FY21), but at year end 30th June 2022 the actual number of employees was 22. This was because of a redundancy round in September 2021 and staff leaving the business in Q1 22 due to the impact of part time working.

3 Intangible fixed assets	£
Cost	
At 1 July 2021	1,652,583
Additions	145,650
At 30 June 2022	1,798,233
Amortisation	
At 1 July 2021	587,440
Provided during the year	463,689
At 30 June 2022	1,051,129
Net book value	
At 30 June 2022	747,104
At 30 June 2021	1,065,143

In 2012, the company wrote off capitalised research and development expenditure totalling £603,795 relating to the pulse field magnetometer development which has been incurred over the previous 20 years. The directors have changed the accounting policy regarding the research and development expenditure and the past expenditure has been mainly written off as incurred. The directors believe that the research and development work undertaken to 2012 has a significant present value to the company but felt it prudent to write it off at this stage due to time elapsed.

Since 2014, the directors have agreed to capitalise research and development costs which are amortised over 10 years. Research and development costs that become redundant will be written

off in full during the year in which they are incurred.

In line with this policy the directors have reviewed previously capitalised research and development costs during 2022 and determined that a further write down was prudent given the intended product line-up and significant changes in product designs as part of the grant funded development programmes in 2019-2021. This resulted in a write down of £463.7k. In addition, £145.6k of research and development spend was capitalised in FY22. As a result, there has been a reduction in the book value of intangible assets as of the 30 June 2022 net book value was £747,104. This is a reduction of £318k from year end FY21.

4 Tangible fixed assets

	Freehold Land £	Freehold Buildings £	Plant and machinery etc £	Total £
Cost				
At 1 July 2021	75,000	200,000	216,573	491,573
Additions	-	-	1,575	1,575
Disposals	(75,000)	(200,000)	-	(275,000)
At 30 June 2022	<u>-</u>	<u>-</u>	<u>218,148</u>	<u>218,148</u>
Depreciation				
At 1 July 2021	-	23,039	125,233	148,272
Charge for the year	-	5,035	17,261	22,296
On disposals	-	(28,074)	-	(28,074)
At 30 June 2022	<u>-</u>	<u>-</u>	<u>142,494</u>	<u>142,494</u>
Net book value				
At 30 June 2022	<u>-</u>	<u>-</u>	<u>75,654</u>	<u>75,654</u>
At 30 June 2021	<u>75,000</u>	<u>176,961</u>	<u>91,340</u>	<u>343,303</u>

Freehold land and buildings:	2022	2021
	£	£
Historical cost	-	193,607
Cumulative depreciation based on historical cost	<u>-</u>	<u>-</u>
	-	193,607

On 30th June 2007 and 30th June 2013, the directors revalued the freehold land and buildings of the company to represent its market value on that date.

On 15th January 2019, the company obtained a 3rd party valuation from Charterwood which valued the freehold land and buildings £275,000. The directors believe the market value of the freehold land and buildings at 30th June 2021 was £275,000.

5 Debtors	2022	2021
	£	£
Trade debtors	206,803	110,265
Other debtors	<u>118,333</u>	<u>44,183</u>

325,136 154,448

6 Creditors: amounts falling due within one year

2022 2021

£ £

Bank loans and overdrafts	44,180	57,016
Trade creditors	141,475	60,725
Corporation tax	(15)	(15)
Other taxes and social security costs	25,465	9,568
Other creditors	364,359	62,534
	<u>575,464</u>	<u>189,828</u>

7 Creditors: amounts falling due after one year

2022 2021

£ £

Bank loans	<u>558,026</u>	<u>759,056</u>
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8 Loans

2022 2021

£ £

Creditors include:

Instalments falling due for payment after more than five years	<u>83,950</u>	<u>263,288</u>
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Secured bank loans	<u>534,181</u>	<u>729,848</u>
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The Bank of Scotland overdraft facility of £40,000 is secured by a debenture over the whole assets of the company.

The EFG original loan of £100,000 is secured by a debenture over the whole assets of the company and is ultimately secured by the Government. The loan balance outstanding at 30/6/22 is £833.

The Innovate UK loan is secured by a fixed and floating 2nd charge that covers all the property or undertaking of the company. The loan balance at 30/6/22 is £390,450.

The loan for the freehold property known as Tesla House, Falmouth, was with Park Walmer Properties Ltd and was secured on the freehold of the property. The loan was repaid during the year when the property was sold and the legal charge was satisfied on 1/9/22.

The ESME original loan of £103,000 is secured by a guarantee of the loan by Mr J Duddings' estate. The loan balance outstanding at 30/6/22 is £49,565.

The CBILS original loan of £100,000 is secured by a debenture over the whole assets of the company and is covered by the Government under the CBILS scheme. The loan balance outstanding at 30/6/22 is £93,333.

9 Revaluation reserve

2022 2021

£ £

At 1 July 2021	60,288	61,698
Movement during year	(60,288)	(1,410)

At 30 June 2022

-

60,288

10 Pension commitments

The company operates a defined purchase contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. At the balance sheet date, there were no unpaid contributions.

11 Other financial commitments

2022

2021

£

£

Total future minimum payments under non-cancellable operating leases

160,848

45,238

12 Other information

Hirst Magnetic Instruments Ltd is a private company limited by shares and incorporated in England. Its registered office is:

Tesla House

Tregoniggle Industrial Estate

Falmouth

Cornwall

TR11 4SN

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