

Company Registration number: 04740221

HARMONIC LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

TUESDAY



A9JXSAA0

A15

15/12/2020

#333

COMPANIES HOUSE

HARMONIC LIMITED
CONTENTS

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 9
Profit and Loss Account	10
Balance Sheet	11
Statement of Changes in Equity	12 to 13
Statement of Cash Flows	14
Notes to the Financial Statements	15 to 29

HARMONIC LIMITED
COMPANY INFORMATION

Directors S Withey
T G Samuel
C Green
H T Gordon Clark

Company secretary H T Gordon Clark

Registered office The Hatchery
Eaglewood Park
Ilminster
Somerset
TA19 9DQ

Auditors Albert Goodman LLP
Goodwood House
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

HARMONIC LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their strategic report for the year ended 31 March 2020.

Principal activity

Harmonic is a delivery and transformation consultancy which directs its IP and unique mix of Business Winning, Programme Management, Solution Architecture and People Change capabilities to deliver material value across some of the largest and best known organisations in government backed sectors.

Fair review of the business

The business achieved encouraging top and bottom line growth during the year ended 31 March 2020. Revenue and underlying EBITDA (i.e. EBITDA before share based payment expense and restructuring costs) increased by 23% and 52% respectively over the prior year and the business is in an excellent position to embrace significant further growth following the completion of all restructuring activities over recent years.

The company's key financial and other performance indicators during the year were as follows:

	2019/20	2018/19	2017/18	2016/17
Revenue	£12,594,332	£10,199,469	£13,247,029	£12,908,590
Gross profit	£4,677,369	£3,687,756	£4,884,244	£4,458,719
Gross profit margin	37%	35%	37%	35%
(Loss) / profit before tax	£135,300	(£50,704)	(£540,126)	£307,494
(Loss) / profit before tax margin	1.1%	(0.5%)	(4.1%)	2.4%
Share-based payment expense	£198,687	£185,787	£210,000	£17,500
Re - structuring costs	£99,008	£125,306	£443,696	£119,727
Interest & depreciation	£24,896	£41,069	£55,562	£55,967
Underlying EBITDA	£457,891	£301,458	£169,132	£500,688
	3.6%	3.0%	1.3%	3.9%
Shareholders funds	£1,571,620	£1,411,653	£1,313,096	£1,593,535
Share buy back	£102,612	-	-	£250,000

The year ended 31 March 2020 saw the company continue to contribute technical expertise across various clients engaged in the delivery of the UK's continuous-at-sea nuclear deterrent. The company's reputation continues to grow across this domain and trading in the year ending 31 March 2021 suggests that the company is well positioned to further enhance its capability and intellectual property in the area.

The year also marked the company's formalisation of its digital transformation capability with the completion of separate strategic partnership agreements with a Fortune 500 IT consultancy and a global simulation software house - both of which acknowledge Harmonic's access and insight to the UK defence, intelligence and security sector.

HARMONIC LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

In February 2019 the company was selected alongside seven other SMEs to provide project, programme & portfolio management capability, commercial expertise and digital transformation resource in support of Brexit preparation work across government departments. This government framework award was amended during the year in order to let urgent work in response to the Covid pandemic. The company has been a beneficiary of this and looks forward to replicating its hard-earned reputation in MoD across other government departments.

During the year ended 31 March 2017, shareholders approved the establishment of an enterprise management incentive (EMI) option scheme as part of the re-structuring process. FRS102 obliges the company to recognise the estimated 'grant date fair value' of options awarded during the period as an expense, apportioned over the expected vesting period of the options. During the current year further share options have been granted (see note 19). The total share based payment expense for the year ended 31 March 2020 is £199k and, under FRS102 this is credited to reserves to deliver nil balance sheet impact.

Principal risks and uncertainties

Harmonic has been proactive in its response to COVID-19. The board has coordinated and implemented several specific measures including investment in remote working and enhanced staff communications to ensure that first class delivery to clients can continue safely and in accordance with government policy and regional guidance.

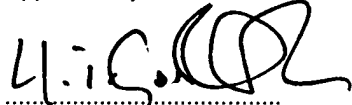
Harmonic recognises that the current COVID-19 pandemic is an evolving situation and that the company will need to continue to be agile in managing this risk. The crisis has also accelerated our learnings on how differently we can use technology to connect, collaborate and engage with our clients, suppliers and employees across the UK. We intend to use these lessons, to ensure that as lockdown eases, we are embracing the new habits and opportunities that this change has created.

Much of the company's trade is with industrial clients that rely on government spending within the defence and infrastructure markets. The significant investment by government in Coronavirus support measures could have an impact on their future spending on defence and infrastructure projects and revenue opportunities for the company. In addition, the continuing uncertainty over the type of Brexit achieved by the UK is likely to impact on future revenues, and the company has seen evidence of this already where it has seen previously anticipated Brexit related revenue streams deferred.

Future developments

The company will continue to expand by recruiting its own staff in order to build flexibility and resilience within its offerings and to better aggregate, harness and exploit the intellectual property developed over 16 years of successful Win : Deliver : Transform work across its blue-chip clients.

Approved by the Board on 26 October 2020 and signed on its behalf by:



H T Gordon Clark
Company secretary and director

HARMONIC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Directors of the company

The directors who held office during the year were as follows:

S Withey

T G Samuel

C Green

H T Gordon Clark - Company secretary and director

Financial instruments

Objectives and policies

The company's principal financial instruments comprise bank balances, invoice discounting facility, trade creditors and trade debtors.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below:

Price risk, credit risk, liquidity risk and cash flow risk

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of an invoice discounting facility. The invoice discounting facility has rarely been used for the past couple of years, though remains an important facility, as we move to more outcome based contracts.

Trade debtors are managed in respect of credit and cash flow by regular monitoring of amounts outstanding and contact with our customers.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due.

Future Developments

The future developments of the business are included within the strategic report.

Important non adjusting events after the financial period

On 28th July 2020, the company issued 100,000 participating preference shares of £0.01 each for a total consideration of £100,000.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

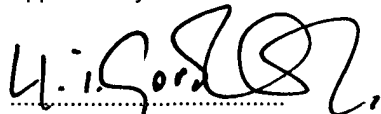
Reappointment of auditors

The auditors Albert Goodman LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

HARMONIC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

Approved by the Board on 26 October 2020 and signed on its behalf by:



H T Gordon Clark
Company secretary and director

HARMONIC LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors acknowledge their responsibilities 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HARMONIC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARMONIC LIMITED

Opinion

We have audited the financial statements of Harmonic Limited (the 'company') for the year ended 31 March 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, 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 company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 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.

HARMONIC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARMONIC LIMITED

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.

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

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

HARMONIC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARMONIC LIMITED

Use of our report

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

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.

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



Michael Cahill FCA (Senior Statutory Auditor)

For and on behalf of Albert Goodman LLP, Statutory Auditor

Goodwood House
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

Date: 30 November 2020

HARMONIC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020

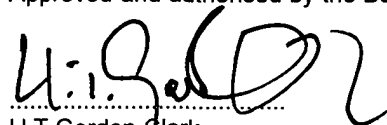
	Note	2020 £	2019 £
Turnover	3	12,594,332	10,199,469
Cost of sales		<u>(7,916,963)</u>	<u>(6,511,713)</u>
Gross profit		<u>4,677,369</u>	<u>3,687,756</u>
Administrative expenses		(4,247,050)	(3,427,710)
Share-based payment expense		(198,687)	(185,787)
Restructuring costs		<u>(99,008)</u>	<u>(125,306)</u>
Administrative expenses		<u>(4,544,745)</u>	<u>(3,738,803)</u>
Operating profit/(loss)	4	132,624	(51,047)
Other interest receivable and similar income	5	<u>2,676</u>	<u>343</u>
Profit/(loss) before tax		135,300	(50,704)
Taxation	9	<u>(71,413)</u>	<u>(36,526)</u>
Profit/(loss) for the financial year		<u><u>63,887</u></u>	<u><u>(87,230)</u></u>

The above results were derived from continuing operations.

HARMONIC LIMITED
(REGISTRATION NUMBER: 04740221)
BALANCE SHEET AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	10	38,022	27,967
Investments	11	<u>2</u>	<u>2</u>
		<u>38,024</u>	<u>27,969</u>
Current assets			
Debtors	12	2,698,277	2,480,334
Cash at bank and in hand		<u>848,568</u>	<u>318,292</u>
		3,546,845	2,798,626
Creditors: Amounts falling due within one year	14	<u>(2,011,766)</u>	<u>(1,417,337)</u>
Net current assets		<u>1,535,079</u>	<u>1,381,289</u>
Total assets less current liabilities		1,573,103	1,409,258
Provisions for liabilities	15	<u>(1,483)</u>	<u>2,395</u>
Net assets		<u>1,571,620</u>	<u>1,411,653</u>
Capital and reserves			
Called up share capital		21	18
Share premium reserve		17,506	17,506
Capital redemption reserve		6	4
Share option reserve		611,974	413,287
Profit and loss account		<u>942,113</u>	<u>980,838</u>
Total equity		<u>1,571,620</u>	<u>1,411,653</u>

Approved and authorised by the Board on 26 October 2020 and signed on its behalf by:



H T Gordon Clark
Company secretary and director

HARMONIC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Ordinary share capital £	Share premium £	Capital redemption reserve £	Share option reserves £	Profit and loss reserve £	Total £
At 1 April 2019	18	17,506	4	413,287	980,838	1,411,653
Movement in year:						
Profit for the year	-	-	-	-	63,887	63,887
Total comprehensive income	-	-	-	-	63,887	63,887
New share capital subscribed	5	-	-	-	-	5
Purchase of own share capital	(2)	-	-	-	(102,612)	(102,614)
Other capital redemption reserve movements	-	-	2	-	-	2
Share based payment transactions	-	-	-	198,687	-	198,687
Total movement for the year	3	-	2	198,687	(38,725)	159,967
At 31 March 2020	21	17,506	6	611,974	942,113	1,571,620

HARMONIC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Ordinary share capital £	Share premium £	Capital redemption reserve £	Share option reserve £	Profit and loss reserve £	Total £
At 1 April 2018	18	17,506	4	227,500	1,068,068	1,313,096
Movement in year:						
Loss for the year	-	-	-	-	(87,230)	(87,230)
Total comprehensive income	-	-	-	-	(87,230)	(87,230)
Share based payment transactions	-	-	-	185,787	-	185,787
Total movement for the year	-	-	-	185,787	(87,230)	98,557
At 31 March 2019	18	17,506	4	413,287	980,838	1,411,653

HARMONIC LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit/(loss) for the year		63,887	(87,230)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	24,896	41,069
Financial instrument net gains (losses) through profit and loss		198,687	185,787
Loss/(profit) on disposal of tangible assets		5,141	(625)
Finance income	5	(2,676)	(343)
Income tax expense	9	71,413	36,526
		<u>361,348</u>	<u>175,184</u>
Working capital adjustments			
Increase in trade and other debtors	12	(221,031)	(706,110)
Increase/(decrease) in trade and other creditors	14	<u>526,895</u>	<u>(2,159)</u>
Cash generated from operations		667,212	(533,085)
Income taxes received/(paid)	9	<u>3,088</u>	<u>(343)</u>
Net cash flow from operating activities		<u>670,300</u>	<u>(533,428)</u>
Cash flows from investing activities			
Interest received	5	2,676	343
Acquisitions of tangible assets		(40,190)	(3,050)
Proceeds from sale of tangible assets		<u>98</u>	<u>1,047</u>
Net cash flows from investing activities		<u>(37,416)</u>	<u>(1,660)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		5	-
Payments for purchase of own shares		<u>(102,613)</u>	<u>-</u>
Net cash flows from financing activities		<u>(102,608)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		530,276	(535,088)
Cash and cash equivalents at 1 April 2019		<u>318,292</u>	<u>853,380</u>
Cash and cash equivalents at 31 March 2020	13	<u><u>848,568</u></u>	<u><u>318,292</u></u>

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

The Hatchery
Eaglewood Park
Ilminster
Somerset
TA19 9DQ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are presented in Sterling (£).

Group accounts not prepared

The financial statements present information about the company as an individual undertaking and not about its group. The company's subsidiary undertaking is dormant. The company has therefore taken advantage of the exemptions provided by Section 405 (2) of the Companies Act 2006 not to prepare group accounts on the basis that the subsidiary is not material.

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates. Stage of completion for revenue is considered the most significant judgement and has been detailed further in the contract revenue recognition accounting policy.

Although the share based payment options granted in March 2017 will lapse in 10 years, the directors considered the options to have a vesting period of 5 years and therefore the fair value of the scheme is recognised over this vesting period. The directors believe that the same principles remain appropriate for the options granted during the year ended 31 March 2020. See note 19 for full disclosure.

The directors have considered the impact of the Covid-19 pandemic on the company, both to date and their expectations for a period of 12 months from the approval of these accounts. Considering the cash reserves, strong trading performance and future work in the pipeline, the Directors have concluded that there are no material uncertainties with regard to the going concern of the company and accordingly have prepared these accounts on the going concern basis.

Contract revenue recognition

Fee income represents revenue earned under a wide variety of contracts to provide professional services. Revenue is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance under these contracts. It is measured at fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding VAT.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors as Gross amount due from customers for contract work and payments on account in excess of the relevant amount of revenue are included in creditors, as Gross amount due to customers for contract work.

Fee income that is contingent on events outside the control of the company is recognised when the contingent event occurs.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Deferred income tax is recognised on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax liabilities are presented within provision liabilities.

Tangible assets

Tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Furniture, fittings and equipment	20% - 33% Straight line

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Other short term debtors are measured at transaction price, less impairment. Prepayments are valued at the amount prepaid net of any trade discounts due.

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities are measured initially at fair value net of transaction costs and subsequently at amortised cost using the effective interest method.

Reserves

Called up share capital represents the nominal value of shares that have been issued.

Share premium reserve account includes any premiums received on the issue of share capital. Transaction costs associated with the issuing of shares are deducted from the share premium.

Profit and loss account includes all current and prior period profits and losses.

Capital redemption reserve records the nominal value of shares repurchased by the company.

The share option reserve is recognised in respect of the cumulative fair value of share options recognised.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Share based payments

The fair value of equity-settled share based payments to employees is determined at the date of the grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest. Full disclosure of the calculation model is given in note 19.

An exemption in FRS 102 section 35.10(b) has been taken enabling equity share based payments granted before the date of transition to FRS 102 to continue to be accounted for under their previous accounting policy. The share options were granted under the FRSE and have therefore not been recognised in the financial statements although disclosure of the share options has been made.

Financial instruments

Classification

The company only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the company are as follows:

Financial assets – trade and other debtors, accrued income, amounts owed by group undertakings and other debtors are basic financial instruments, and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, amounts owed to group undertakings, bank loans, accrued expenses and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security and corporation tax creditors are not included in the financial instruments disclosure definition.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2020	2019
	£	£
Sale of services	12,241,230	9,936,407
Reimbursed expenses	353,102	263,062
	<u>12,594,332</u>	<u>10,199,469</u>

4 Operating profit

Arrived at after charging/(crediting):

	2020	2019
	£	£
Depreciation expense	24,896	41,069
Operating lease expense - property	164,544	118,801
Loss/(profit) on disposal of property, plant and equipment	<u>5,141</u>	<u>(625)</u>

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5 Other interest receivable and similar income

	2020	2019
	£	£
Interest income on bank deposits	2,676	-
Other finance income	-	343
	<u>2,676</u>	<u>343</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	3,884,602	3,938,034
Social security costs	345,188	417,930
Pension costs, defined contribution scheme	359,466	443,371
Restructuring costs	99,008	125,306
Other employee expense	70,550	72,031
	<u>4,758,814</u>	<u>4,996,672</u>

Restructuring costs

The company has undertaken a restructuring exercise. Costs in connection with this restructuring totalled £99,008 (2019 - £125,306).

The average number of persons employed by the company (including directors) during the year analysed by category was as follows:

	2020	2019
	No.	No.
Production	41	41
Administration and support	16	18
	<u>57</u>	<u>59</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£	£
Remuneration	714,717	596,024
Contributions paid to money purchase schemes	34,519	26,209
	<u>749,236</u>	<u>622,233</u>

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020	2019
	No.	No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid director:

	2020	2019
	£	£
Remuneration	<u>200,000</u>	<u>185,000</u>

8 Auditors' remuneration

	2020	2019
	£	£
Audit of the financial statements	<u>9,500</u>	<u>9,500</u>

9 Taxation

Tax charged/(credited) in the profit and loss account:

	2020	2019
	£	£
Current taxation		
UK corporation tax	67,535	44,216
Deferred taxation		
Arising from origination and reversal of timing differences	3,957	(7,427)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(79)</u>	<u>(263)</u>
Total deferred taxation	<u>3,878</u>	<u>(7,690)</u>
Tax expense in the profit and loss account	<u>71,413</u>	<u>36,526</u>

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit/(loss) before tax	<u>135,300</u>	<u>(50,704)</u>
Corporation tax at standard rate	25,707	(9,634)
Effect of expense not deductible in determining taxable profit (tax loss)	<u>41,653</u>	<u>46,160</u>
Total tax charge	<u>67,360</u>	<u>36,526</u>

10 Tangible assets

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 April 2019	233,874	233,874
Additions	40,190	40,190
Disposals	<u>(8,370)</u>	<u>(8,370)</u>
At 31 March 2020	<u>265,694</u>	<u>265,694</u>
Depreciation		
At 1 April 2019	205,907	205,907
Charge for the year	24,896	24,896
Eliminated on disposal	<u>(3,131)</u>	<u>(3,131)</u>
At 31 March 2020	<u>227,672</u>	<u>227,672</u>
Carrying amount		
At 31 March 2020	<u>38,022</u>	<u>38,022</u>
At 31 March 2019	<u>27,967</u>	<u>27,967</u>

11 Investments in subsidiaries, joint ventures and associates

	2020 £	2019 £
Investments in subsidiaries	<u>2</u>	<u>2</u>

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Subsidiaries	£
Cost or valuation	
At 1 April 2019	<u>2</u>
Provision	
Carrying amount	
At 31 March 2020	<u>2</u>
At 31 March 2019	<u>2</u>

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
Harmonic Consulting Limited	The Hatchery, Ordinary Eaglewood Park, shares Ilminster, Somerset, TA19 9DQ England and Wales		100%	100%

The principal activity of Harmonic Consulting Limited is Dormant.

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12 Debtors

	Note	2020 £	2019 £
Trade debtors		1,913,474	1,986,875
Other debtors		26,036	20,119
Prepayments		114,050	82,068
Gross amount due from customers for contract work		644,717	388,184
Corporation tax	9	-	3,088
Total current trade and other debtors		<u>2,698,277</u>	<u>2,480,334</u>

13 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	4	33
Cash at bank	848,564	318,259
	<u>848,568</u>	<u>318,292</u>

14 Creditors

	Note	2020 £	2019 £
Due within one year			
Trade creditors		888,503	581,295
Social security and other taxes		429,516	480,012
Outstanding defined contribution pension costs		27,332	37,497
Other creditors		198	199
Accrued expenses		598,682	318,334
Corporation tax	9	67,535	-
		<u>2,011,766</u>	<u>1,417,337</u>

15 Provisions for liabilities

	Deferred tax £	Total £
At 1 April 2019	(2,395)	(2,395)
Increase (decrease) in existing provisions	<u>3,878</u>	<u>3,878</u>
At 31 March 2020	<u>1,483</u>	<u>1,483</u>

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Deferred tax

Deferred tax assets and liabilities:

	Asset £	Liability £
2020		
Other timing differences	-	4,901
Accelerated tax depreciation	6,384	-
	<u>6,384</u>	<u>4,901</u>
2019	Asset £	Liability £
Other timing differences	-	6,833
Accelerated tax depreciation	4,438	-
	<u>4,438</u>	<u>6,833</u>

16 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £359,466 (2019 - £443,371).

Contributions totalling £27,332 (2019 - £37,497) were payable to the scheme at the end of the year and are included in creditors.

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

17 Share capital

Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
A Ordinary Shares of £0.0001 each	80,000	8.00	80,000	8.00
B Ordinary Shares of £0.0001 each	80,944	8.09	97,360	9.74
Redeemable Shares of £0.0001 each	49,350	4.94	-	-
	<u>210,294</u>	<u>21</u>	<u>177,360</u>	<u>18</u>

Purchase of own shares

During the year the company entered into agreements with shareholders to purchase 49,350 B Ordinary shares with multiple completion dates. During the year 16,418 B ordinary shares were purchased and cancelled for total consideration of £102,612 and on 30 April 2020 a further completion occurred with 10,976 B Ordinary shares being purchased and cancelled for total consideration of £68,600. Further completions are due to occur on 30 October 2020 and 30 April 2021 and on each occasion 10,978 B Ordinary shares are due to be purchased and cancelled for total consideration of £68,612.

New shares allotted

During the year 49,350 Redeemable shares having an aggregate nominal value of £4.94 were allotted for an aggregate consideration of £4.94.

Rights, preferences and restrictions

A Ordinary Shares have the following rights, preferences and restrictions:

The shares have full rights in the company with respect to dividends and distributions. The shares carry right to two votes on all resolutions proposed at general meetings.

B Ordinary Shares have the following rights, preferences and restrictions:

The shares have full rights in the company with respect to dividends and distributions. The shares carry rights to one vote on all resolutions proposed at general meetings.

Redeemable Shares have the following rights, preferences and restrictions:

The shares are only redeemable in the event that the company is sold over a threshold figure and have no rights as to income and no voting rights.

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	-	81,259
Later than one year and not later than five years	-	45,733
	<u>-</u>	<u>126,992</u>

19 Share-based payments

Scheme details and movements

The movements in the number of share options during the year were as follows:

	Number of share options		Weighted average exercise price	
	2019	2018	2019	2018
	Number	Number	£	£
Outstanding at 1 April 2019	78,807	77,381	0.05	0.06
Granted	30,602	19,771	0.01	0.01
Exercised				
Expired	(2,075)	(18,345)	1.07	0.06
Outstanding at 31 March 2019	<u>107,334</u>	<u>78,807</u>	<u>0.02</u>	<u>0.05</u>
Exercisable at 31 March 2019	-	-	-	-

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

All share options are in respect of B Ordinary shares.

The options outstanding at 31 March 2020 had an exercise price ranging from £0.01 to £1.07, and a remaining contractual life ranging between August 2018 and February 2030.

The fair value of the schemes are being expensed over the vesting period. All share options expire 10 years after the date of issue.

The share options granted on 7 August 2009 lapsed and become incapable of exercise on the earliest of the tenth anniversary of the date of grant, or the date of cessation of employment. The options cannot be exercised until an offer to purchase the whole of the issued share capital, or the whole of the B ordinary shares in issue, is received.

The share options granted on 2 August 2013 lapse on the tenth anniversary of the date of grant, or the date of cessation of employment (subject to the board's discretion). The options can be exercised on the earliest of 5 years after the date of grant (or earlier at the discretion of the Board), on a sale or listing, when an offer to purchase the whole of the B ordinary shares in issue is received, or where a change of control occurs.

The share options granted on 1 August 2008, 7 August 2009 and 2 August 2013 were granted under the FRSE and have therefore not been recognised in the financial statements.

Fair value of options

The weighted average fair value of the options granted on 1 March 2017 was £14.14 per share, on 1 April 2018 was £6.64, on 26 September 2018 was £4.21 and on 1 February 2020 was £8.82. The fair value of the options was measured using the Monte-Carlo model, due to the 'all or nothing' nature of the options meaning that other methodologies were not considered to have sufficient flexibility to provide a rigorous fair value.

The equity share-based payment options granted in March 2017, April 2018, September 2018 and February 2020 will crystallise immediately prior to the acquisition of the company by a third party, but only where the total valuation exceeds a specified limit. There is no fixed date for exit, but the options lapse on the 10th anniversary of the grant. The directors have modelled the probability of that event occurring and have determined that on a weighted average basis the options are most likely to have an exercise date in 5 years, and accordingly the expense of these share options is being recognised over 5 years from date of grant.

The expected volatility is based on an assessment of the company's historical volatility, adjusted where applicable for the anticipated changes in the market.

During the year, the company recognised an equity share-based payment expense cost totalling £198,687 (2019: £185,787) which relates solely to the options granted in March 2017, April 2018, September 2018 and February 2020.

HARMONIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

20 Analysis of changes in net debt

	At 1 April 2019 £	Financing cash flows £	At 31 March 2020 £
Cash at bank	<u>318,259</u>	<u>530,309</u>	<u>848,568</u>

21 Financial instruments

Categorisation of financial instruments

	2020 £	2019 £
Financial assets that are debt instruments measured at amortised cost	<u>3,432,797</u>	<u>2,713,470</u>
Financial liabilities measured at amortised cost	<u>1,487,410</u>	<u>899,850</u>
	<u>1,487,410</u>	<u>899,850</u>

22 Non adjusting events after the financial period

On 28th July 2020, the company issued 100,000 participating preference shares of £0.01 each for a total consideration of £100,000.