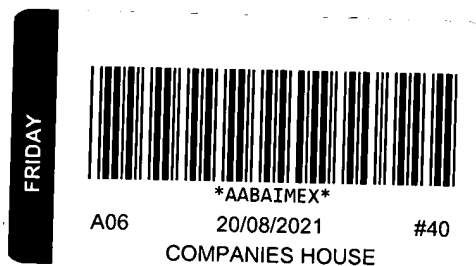


Company Registration No. 05558651 (England and Wales)

SME HCI LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



SME HCI LIMITED

COMPANY INFORMATION

Directors	JY Davis RH Ellis JC Facey SP Moyle	(Appointed 1 January 2020) (Appointed 1 January 2020)
Company number	05558651	
Registered office	5 Margaret Road Romford Essex RM2 5RH	
Auditor	Taylor Viney & Marlow Limited 46-54 High Street Ingatstone Essex CM4 9DW	

SME HCI LIMITED

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SME HCI LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal risks and uncertainties

Fluctuations in turnover are common in this industry and much is dependent on the National Health Services (NHS) activities within the local region. The Board is aware of the current COVID-19 uncertainties relating to the industry but is confident that the company has sufficient monetary reserves to support the business through this uncertain times. There has been no curtailment to the supplies chain and Brexit will have little impact as company's customers are UK based.

Analysis based on KPI

Turnover has increased significantly as a result of increased NHS activities. Gross profit margin has improved over last year and coupled with overheads remaining relatively comparable, the company has made an operating profit. The Company expect the level of turnover to remain comparable over the next year but with gross profit margin remaining relatively healthy.

Analysis of development and performance

The company considers many performance indicators, both financial and non-financial. The key operating parameters include sales per employee and overhead costs as percentages of sales and gross profit. Financial performance is considered in many ways including overall margins, working capital efficiency and return on capital.

	2020 £	2019 £	Movement %
Turnover	26,748,373	16,568,717	61.44%
Gross profit (adjusted)	5,444,469	2,694,790	102.04%
Gross profit margin	20.35%	16.26%	
Operating (loss)profit before tax	1,189,537	-2,385,588	149.86%

Financial risk management

The Company's operations expose it to some financial risks. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of financial risk.

Credit/Covid-19 Risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any customer is subject to a limit, which is reviewed on an ongoing basis. The Company has also implemented procedures in line with Government guidelines with regard to staff and customers health on the current Covid-19 situation.

In March 2020, the World Health Organisation (WHO) classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, material sourcing, industry, and workforce.

Management is pleased to report that the company has benefited from the various supports to businesses by the local council through their council tax hiatus and the Government furlough scheme for employees. Although qualifying, the Company has not taken up any CBIL/BBL loans from the banks.

At the time of this report, management is also pleased to report higher than average turnover/profit. This is mainly due to increased activity in the NHS sectors.

SME HCI LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Other information and explanations

In considering future developments, the directors intend to maintain similar policies as in previous years which have resulted in substantial growth in recent years.

On behalf of the board



JY Davis
Director

28 July 2021

SME HCI LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the company and group continued to be product suppliers to medical institutions.

Future Developments

2021 has seen further growth with the addition of a Reward and Recognition App and a further 13 NHS and Council organisations signing up in Q1. The product offering of the company has been developed to such an extent that it is a market leader in the NHS with other public sector organisations in the Council, University and Emergency Services sectors taking a keen interest. Competitors in the public sector space cannot compete with the range, quality and pricing of the service offering and do not bid for contracts when they know the company is in the frame for them. The strong performance in 2020 is being taken further in 2021 with 250% growth seen in Q1 2021 compared to Q1 2020. This growth is expected to continue for the rest of 2021 resulting in a Net Profit figure of between £4M and £5M (2020: £1.2M).

Results and dividends

The results for the year are set out on page 8.

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

Directors

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

JY Davis

RH Ellis

JC Facey

(Appointed 1 January 2020)

SP Moyle

(Appointed 1 January 2020)

Post reporting date events

There are no events after the balance sheet date that affects the financial statements.

Auditor

Taylor Viney and Marlow Limited were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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



JY Davis

Director

28 July 2021

SME HCI LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

SME HCI LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SME HCI LIMITED

Opinion

We have audited the financial statements of SME HCI Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

SME HCI LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SME HCI LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

SME HCI LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SME HCI LIMITED

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. Audit staff with sufficient knowledge and expertise to identify non-compliance with laws and regulations were deployed on the audit.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management. We did not identify any key audit matters relating to irregularities, including fraud.

We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Neil A. Chambers
(Senior Statutory Auditor)

For and on behalf of Taylor Viney and Marlow Limited

29 July 2021

Chartered Accountants
Statutory Auditor

SME HCI LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	26,845,371	16,575,417
Cost of sales		(21,303,903)	(13,873,927)
Gross profit		<u>5,541,468</u>	<u>2,701,490</u>
Administrative expenses		(4,120,131)	(2,841,393)
Other operating income		53,398	-
Operating profit/(loss)	4	<u>1,474,735</u>	<u>(139,903)</u>
Interest payable and similar expenses	8	(234,062)	(224,777)
Profit/(loss) before taxation		<u>1,240,673</u>	<u>(364,680)</u>
Tax on profit/(loss)	9	45,842	(1,921,314)
Profit/(loss) for the financial year		<u><u>1,286,515</u></u>	<u><u>(2,285,994)</u></u>

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

The group was formed in September 2020 when the subsidiary was purchased, and so the 2019 comparative figures relate to the parent company only.

SME HCI LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Profit/(loss) for the year	1,286,515	(2,285,994)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>1,286,515</u></u>	<u><u>(2,285,994)</u></u>

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

SME HCI LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Goodwill	10		51,136		-
Other intangible assets	10		830,244		472,418
Total intangible assets			881,380		472,418
Tangible assets	11		44,371		505,596
Investment properties	12		456,263		-
Investments	13		100,000		100,000
			1,482,014		1,078,014
Current assets					
Stocks	15	-		17,328	
Debtors	16	6,714,854		3,069,822	
Cash at bank and in hand		3,255,564		3,350,629	
		9,970,418		6,437,779	
Creditors: amounts falling due within one year	17	(11,877,921)		(9,227,797)	
Net current liabilities			(1,907,503)		(2,790,018)
Net liabilities			(425,489)		(1,712,004)
Capital and reserves					
Called up share capital	19		40		40
Capital redemption reserve			(733,450)		(358,000)
Profit and loss reserves			307,921		(1,354,044)
Total equity			(425,489)		(1,712,004)

The financial statements were approved by the board of directors and authorised for issue on 28 July 2021 and are signed on its behalf by:



JY Davis
Director

SME HCI LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	10		830,244		472,418
Tangible assets	11		44,371		505,596
Investment properties	12		456,263		-
Investments	13		165,001		100,000
			<u>1,495,879</u>		<u>1,078,014</u>
Current assets					
Stocks	15	-		17,328	
Debtors	16	6,714,854		3,069,822	
Cash at bank and in hand		3,246,920		3,350,629	
		<u>9,961,774</u>		<u>6,437,779</u>	
Creditors: amounts falling due within one year	17	<u>(11,934,278)</u>		<u>(9,227,797)</u>	
Net current liabilities			<u>(1,972,504)</u>		<u>(2,790,018)</u>
Net liabilities			<u>(476,625)</u>		<u>(1,712,004)</u>
Capital and reserves					
Called up share capital	19		40		40
Capital redemption reserve			(733,450)		(358,000)
Profit and loss reserves			256,785		(1,354,044)
Total equity			<u>(476,625)</u>		<u>(1,712,004)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,235,379 (2019 - £2,285,994 loss).

The financial statements were approved by the board of directors and authorised for issue on 28 July 2021 and are signed on its behalf by:



JY Davis
Director

Company Registration No. 05558651

SME HCI LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		70	931,950	932,020
Year ended 31 December 2019:				
Loss and total comprehensive income for the year		-	(2,285,994)	(2,285,994)
Redemption of shares	19	-	(358,000)	(358,000)
Other movements		(30)	-	(30)
Balance at 31 December 2019		40	(1,712,044)	(1,712,004)
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	1,286,515	1,286,515
Balance at 31 December 2020		40	(425,529)	(425,489)

SME HCI LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		70	931,950	932,020
Year ended 31 December 2019:				
Loss and total comprehensive income for the year		-	(2,285,994)	(2,285,994)
Redemption of shares	19	-	(358,000)	(358,000)
Other movements		(30)	-	(30)
Balance at 31 December 2019		40	(1,712,044)	(1,712,004)
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	1,235,379	1,235,379
Balance at 31 December 2020		40	(476,665)	(476,625)

SME HCI LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	25	810,187		2,570	
Interest paid		(234,062)		(224,777)	
Income taxes refunded		64,528		99,592	
Net cash inflow/(outflow) from operating activities		640,653		(122,615)	
Investing activities					
Purchase of intangible assets		(708,680)		(262,753)	
Purchase of tangible fixed assets		(27,038)		(15,687)	
Proceeds on disposal of tangible fixed assets		-		13,329	
Proceeds on disposal of investments		-		(100,000)	
Net cash used in investing activities		(735,718)		(365,111)	
Net decrease in cash and cash equivalents		(95,065)		(487,726)	
Cash and cash equivalents at beginning of year		3,350,629		3,838,355	
Cash and cash equivalents at end of year		3,255,564		3,350,629	

SME HCI LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	26	885,230		2,570	
Interest paid		(234,062)		(224,777)	
Income taxes refunded		45,842		99,592	
Net cash inflow/(outflow) from operating activities		697,010		(122,615)	
Investing activities					
Purchase of intangible assets		(654,853)	(262,753)		
Purchase of tangible fixed assets		(27,038)	(15,687)		
Proceeds on disposal of tangible fixed assets		-	13,329		
Proceeds on disposal of subsidiaries		(65,001)	-		
Proceeds on disposal of investments		(76,597)	(100,000)		
Dividends received		22,770	-		
Net cash used in investing activities		(800,719)		(365,111)	
Net decrease in cash and cash equivalents		(103,709)		(487,726)	
Cash and cash equivalents at beginning of year		3,350,629		3,838,355	
Cash and cash equivalents at end of year		3,246,920		3,350,629	

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

SME HCI Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is .

The group consists of SME HCI Limited and its subsidiary.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company SME HCI Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2020. Where 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.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.4 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group 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.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Intangible fixed assets other than goodwill

Intangible fixed assets relating to research and development costs are measured at cost less accumulated amortisation, and any accumulated impairment losses. Research and development cost is written off over its estimated useful economic life of 5 years.

Intangible fixed assets relating to software license are measured at fair value by the directors at the year end. Changes in fair value are recognised in the profit and loss account.

1.8 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:

Freehold land and buildings	Not depreciated
Plant and equipment	25% reducing balance

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.

1.9 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.10 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.

1.11 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.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.13 Cash and cash equivalents

Cash and cash equivalents 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.

1.14 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.15 Equity instruments

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

1.16 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.

1.17 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.

1.18 Retirement benefits

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

1.19 Leases

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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

1.20 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.

1.21 Foreign exchange

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

1.22 Prior year adjustment - change in accounting policy

Previously, Revenue was accounted for in the period the invoice was raised to the client rather than when the services were delivered to the client. If the client were to be invoiced in 12 monthly instalments for the goods that were supplied at month 1 in accordance with a contract that was not cancellable, the revenue would be accounted for over two periods at the dates when the invoices were raised.

Similarly, the Cost of Sales were accounted for in the period that the supplier invoice was received rather than in the period when the goods were delivered. During the busiest times of trading in November and December, invoices from suppliers that related to goods delivered in these months would be received in the first quarter of the following year and be accounted for in the subsequent period.

The accounting policy was changed so that all Revenue and Cost of Sales were accounted for in the period the goods/services were delivered to the client. The impact of this over the previous method was that Revenue was overstated and Cost of Sales understated. The impact of the changes are shown in Note 19.

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.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3	Turnover and other revenue		
		2020	2019
		£	£
	Turnover analysed by class of business		
		26,845,371	16,575,417
		<u> </u>	<u> </u>
		2020	2019
		£	£
	Other significant revenue		
	Grants received	53,398	-
		<u> </u>	<u> </u>
		2020	2019
		£	£
	Turnover analysed by geographical market		
		26,845,371	16,575,417
		<u> </u>	<u> </u>
4	Operating profit/(loss)		
		2020	2019
		£	£
	Operating profit/(loss) for the year is stated after charging/(crediting):		
	Government grants	(53,398)	-
	Depreciation of owned tangible fixed assets	8,761	16,989
	Loss on disposal of tangible fixed assets	23,239	2,873
	Amortisation of intangible assets	299,718	186,057
	Operating lease charges	170,858	158,916
		<u> </u>	<u> </u>
5	Auditor's remuneration		
		2020	2019
	Fees payable to the company's auditor and associates:	£	£
	For audit services		
	Audit of the financial statements of the group and company	10,000	-
		<u> </u>	<u> </u>

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Administration	28	26	28	26
Marketing	14	11	14	11
Sales	13	10	13	10
Total	<u>55</u>	<u>47</u>	<u>55</u>	<u>47</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	2,146,640	1,555,625	2,146,640	1,555,625
Social security costs	234,731	174,670	234,731	174,670
Pension costs	173,455	110,705	173,455	110,705
	<u>2,554,826</u>	<u>1,841,000</u>	<u>2,554,826</u>	<u>1,841,000</u>

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	453,697	313,094
Company pension contributions to defined contribution schemes	98,674	36,000
	<u>552,371</u>	<u>349,094</u>

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

	2020 £	2019 £
Remuneration for qualifying services	<u>212,070</u>	<u>161,390</u>

8 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>234,062</u>	<u>224,777</u>

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

9 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	(45,842)	(99,594)

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

	2020 £	2019 £
Profit/(loss) before taxation	1,240,673	(2,385,588)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	226,012	(453,262)
Tax effect of expenses that are not deductible in determining taxable profit	(226,012)	422,076
Adjustments in respect of prior years	(45,842)	(68,408)
Taxation credit	(45,842)	(99,594)

10 Intangible fixed assets

Group	Goodwill £	Software £	Research & Development £	Total £
Cost				
At 1 January 2020	-	-	930,282	930,282
Additions	53,827	100,000	554,853	708,680
At 31 December 2020	53,827	100,000	1,485,135	1,638,962
Amortisation and impairment				
At 1 January 2020	-	-	457,864	457,864
Amortisation charged for the year	2,691	-	297,027	299,718
At 31 December 2020	2,691	-	754,891	757,582
Carrying amount				
At 31 December 2020	51,136	100,000	730,244	881,380
At 31 December 2019	-	-	472,418	472,418

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Intangible fixed assets

(Continued)

Company	Software £	Research & Development £	Total £
Cost			
At 1 January 2020	-	930,282	930,282
Additions	100,000	554,853	654,853
At 31 December 2020	100,000	1,485,135	1,585,135
Amortisation and impairment			
At 1 January 2020	-	457,864	457,864
Amortisation charged for the year	-	297,027	297,027
At 31 December 2020	-	754,891	754,891
Carrying amount			
At 31 December 2020	100,000	730,244	830,244
At 31 December 2019	-	472,418	472,418

11 Tangible fixed assets

Group	Freehold land and buildings £	Plant and equipment £	Total £
Cost			
At 1 January 2020	456,263	156,416	612,679
Additions	-	27,038	27,038
Disposals	-	(118,427)	(118,427)
Transfer to investment property	(456,263)	-	(456,263)
At 31 December 2020	-	65,027	65,027
Depreciation and impairment			
At 1 January 2020	-	107,083	107,083
Depreciation charged in the year	-	8,761	8,761
Eliminated in respect of disposals	-	(95,188)	(95,188)
At 31 December 2020	-	20,656	20,656
Carrying amount			
At 31 December 2020	-	44,371	44,371
At 31 December 2019	456,263	49,333	505,596

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

(Continued)			
11 Tangible fixed assets			
Company	Freehold land and buildings	Plant and equipment	Total
	£	£	£
Cost			
At 1 January 2020	456,263	156,416	612,679
Additions	-	27,038	27,038
Disposals	-	(118,427)	(118,427)
Transfer to investment property	(456,263)	-	(456,263)
At 31 December 2020	-	65,027	65,027
Depreciation and impairment			
At 1 January 2020	-	107,083	107,083
Depreciation charged in the year	-	8,761	8,761
Eliminated in respect of disposals	-	(95,188)	(95,188)
At 31 December 2020	-	20,656	20,656
Carrying amount			
At 31 December 2020	-	44,371	44,371
At 31 December 2019	456,263	49,333	505,596
12 Investment property			
		Group 2020	Company 2020
		£	£
Fair value			
At 1 January 2020		-	-
Transfers from owner-occupied property		456,263	456,263
At 31 December 2020		456,263	456,263

The historic cost of investment property was £456,263 (2019: £456,263).

The freehold investment properties were acquired in October 2016 and February 2018 and the values are considered by the director, Ms Davis, annually. Based on her understanding from local agents of similar local properties, Ms Davis does not consider it necessary to carry out a revaluation at the financial year end as the market values are not believed to be materially different to the carrying amount at the year end.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	14	-	-	65,001	-
Unlisted investments		100,000	100,000	100,000	100,000
		<u>100,000</u>	<u>100,000</u>	<u>165,001</u>	<u>100,000</u>

Movements in fixed asset investments

Group	Investments £
Cost or valuation	
At 1 January 2020 and 31 December 2020	<u>100,000</u>
Carrying amount	
At 31 December 2020	<u>100,000</u>
At 31 December 2019	<u>100,000</u>

Movements in fixed asset investments

Company	Shares in subsidiaries £	Other investments £	Total £
Cost or valuation			
At 1 January 2020	-	100,000	100,000
Additions	65,001	-	65,001
At 31 December 2020	<u>65,001</u>	<u>100,000</u>	<u>165,001</u>
Carrying amount			
At 31 December 2020	<u>65,001</u>	<u>100,000</u>	<u>165,001</u>
At 31 December 2019	<u>-</u>	<u>100,000</u>	<u>100,000</u>

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
S J Berry Consultancy Ltd	UK	Ordinary & Preference	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Subsidiaries (Continued)

Name of undertaking	Capital and Reserves £	Profit/(Loss) £
S J Berry Consultancy Ltd	65,001	-

15 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Finished goods and goods for resale	-	17,328	-	17,328

16 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	6,673,996	3,069,822	6,673,996	3,069,822
Other debtors	40,858	-	40,858	-
	<u>6,714,854</u>	<u>3,069,822</u>	<u>6,714,854</u>	<u>3,069,822</u>

17 Creditors: amounts falling due within one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade creditors	11,675,015	9,227,797	11,671,867	9,227,797
Amounts owed to group undertakings	-	-	97,230	-
Corporation tax payable	18,686	-	-	-
Other taxation and social security	70,470	-	51,431	-
Other creditors	113,750	-	113,750	-
	<u>11,877,921</u>	<u>9,227,797</u>	<u>11,934,278</u>	<u>9,227,797</u>

The bank loans are secured by a debenture over the assets of the company to the benefit of Lombard North Central.

Obligations under finance lease and hire purchase contracts are secured by a charge of the assets of the company to the benefit of Greensill Capital and Lombard North Central.

18 Retirement benefit schemes

Defined contribution schemes	2020 £	2019 £
Charge to profit or loss in respect of defined contribution schemes	<u>173,455</u>	<u>110,705</u>

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Retirement benefit schemes

(Continued)

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.

19 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital issued and fully paid				
Ordinary shares of £0.0004 each	10,000	10,000	40	(70)
Ordinary shares of £1 each redeemed	-	-	-	30
	<u>10,000</u>	<u>10,000</u>	<u>40</u>	<u>40</u>

20 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 2020 £	2019 £	Company 2020 £	2019 £
Within one year	101,808	167,809	101,808	167,809
Between two and five years	-	85,430	-	85,430
	<u>101,808</u>	<u>253,239</u>	<u>101,808</u>	<u>253,239</u>

21 Events after the reporting date

The Company acquired on 30 April 2021 100% of the shares in Touchpoint Employee Benefits Group Ltd, a 100% holding company of Touchpoint Employee Benefits (UK) Ltd and Touchpoint Benefit Solutions Ltd. The purchase consideration was £13,200 cash plus loan notes redeemable quarterly over the next two years. The Directors estimate the total loan notes value to be approximately £186,000.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Related party transactions

Group

Directors

There were no transactions between the group and its directors during the current or previous year. The amount owed to the group at the balance sheet date was £nil (2019: £40)

The Employee Resilience Co Ltd (TERC)

Director S P Moyle is also a director of TERC.

During the year TERC provided goods/services to the company totalling £488,678 (2019: £59,048). At the balance sheet date, the group owed TERC £2,510 (2019: £nil).

Benefit Platforms Ltd (BPL)

Directors Jane Y Davis and R H Ellis are also directors of BPL. BPL is a dormant company.

A V C Wise Ltd (AVC)

Directors Jane Y Davis and R H Ellis are also directors of AVC.

During the year the company provided services to AVC totalling £31,697 (2019: £nil). At the balance sheet date, the company was owed £710,457 (2019: £354,753) by AVC.

Company

S J Berry Consultancy Ltd (SJBC)

All the company directors are also directors of SJBC.

During the year, the entire share capital of SJBC was purchased by the company.

The company acquired the software license of SJBC.

Dividends were received from SJBC of £22,770 (2019: £nil)

At the balance sheet date the company owed SJBC £97,230 (2019: £nil)

23 Controlling party

The group's ultimate controlling party is Jane Y Davis, by virtue of her 75% shareholding in the company.

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Prior year adjustment

The accounts have been restated to incorporate the impact of a change in recognition of accrued income and costs of sales.

	2020	2019
	£	£
Overprovision of accrued income	-	(1,247,781)
Underprovision of accrued cost of sales	-	<u>(773,127)</u>
	-	<u>(2,020,908)</u>
Summary of the prior year accounting impact		
Profit & loss account per original accounts	-	270,791
Prior year adjustment as above	-	(2,020,908)
Increase in sales	-	268,986
Increase in cost of sales	-	<u>(904,457)</u>
Restated profit & loss	-	<u>(2,385,588)</u>
Balance sheet		
Net asset per original accounts	-	944,335
Decrease in debtors	-	(878,983)
Increase in creditors	-	<u>(1,777,396)</u>
Restated net as set	-	<u>(1,712,044)</u>

25 Cash generated from group operations

	2020	2019
	£	£
Profit/(loss) for the year after tax	1,286,515	(2,285,994)
Adjustments for:		
Taxation credited	(45,842)	(99,594)
Finance costs	234,062	224,777
Loss on disposal of tangible fixed assets	23,239	2,873
Amortisation and impairment of intangible assets	299,718	186,057
Depreciation and impairment of tangible fixed assets	8,761	16,989
Movements in working capital:		
Decrease in stocks	17,328	22,278
(Increase)/decrease in debtors	(3,645,032)	570,496
Increase in creditors	2,631,438	1,364,688
Cash generated from operations	<u>810,187</u>	<u>2,570</u>

SME HCI LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

26 Cash generated from operations - company

	2020 £	2019 £
Profit/(loss) for the year after tax	1,235,379	(2,285,994)
Adjustments for:		
Taxation credited	(45,842)	(99,594)
Finance costs	234,062	224,777
Investment income	(22,770)	-
Loss on disposal of tangible fixed assets	23,239	2,873
Amortisation and impairment of intangible assets	297,027	186,057
Depreciation and impairment of tangible fixed assets	8,761	16,989
Other gains and losses	76,597	-
Movements in working capital:		
Decrease in stocks	17,328	22,278
(Increase)/decrease in debtors	(3,645,032)	570,496
Increase in creditors	2,706,481	1,364,688
Cash generated from operations	<u>885,230</u>	<u>2,570</u>

27 Analysis of changes in net funds - group

	1 January 2020 £	Cash flows £	31 December 2020 £
Cash at bank and in hand	3,350,629	(95,065)	3,255,564

28 Analysis of changes in net funds - company

	1 January 2020 £	Cash flows £	31 December 2020 £
Cash at bank and in hand	3,350,629	(103,709)	3,246,920