

HR Wallingford Limited
Annual Report and Financial Statements
for the year ended 31 March 2022



Company No. 02562099

Company information

| | |
|------------------------------------|---|
| Company registration number | 02562099 |
| Registered office | Howbery Park Wallingford Oxfordshire OX10 8BA |
| Directors | R Bentiba AJ Brown GD Leeming BN Tomlinson |
| Independent auditors | RSM UK Audit LLP Third Floor, One London Square Cross Lanes Guildford Surrey GU1 1UN |
| Bankers | Lloyds Bank plc Davidson House Forbury Square Reading RG1 3EU |

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Strategic report

The directors present their strategic report on the Company for the year ended 31 March 2022.

Principal activity

The principal activity of the Company is the provision of contract research and consulting services in hydraulics to government and the civil engineering industry.

Review of business

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. Both the level of business during the year and financial position at the year-end were satisfactory. Further detail on turnover and operating profit are provided in the Key Performance Indicators section later in this report. At the time of this report the directors expect the business to operate at a sustainable level for the foreseeable future.

Principal risks and uncertainties

The Company's internal controls are designed to meet the Company's particular needs and the financial risks to which it is exposed. In this context the controls can provide only reasonable, not absolute, assurance against material errors, losses or fraud.

The Company's organisational structure is clearly defined and management have a responsibility for identifying the risks and putting in place procedures to monitor and mitigate significant financial risks. In addition the executive directors take an active role in assessing the potential financial risks in all areas of the business. This is achieved through both the normal monthly review of the management accounts and also through day-to-day management control.

The controls in place ensure that any financial risk is identified and appropriate action taken. The Company's pricing policy is sustainable and appropriate credit risk is accepted. In order to manage credit risk a customer's payment history or credit reference is taken into account.

There is a range of risks and uncertainties facing the Company. The directors maintain a risk register that is designed to identify and evaluate risks as soon as possible and co-ordinate the implementation of suitable measures to mitigate such risks. The list below is not exhaustive but comprises the principal risks that the directors believe could have a significant impact on the Company's performance.

Price risk

Competition in our principal markets is significant, though in many there are complex barriers to entry, preventing rapid changes occurring within our global market of research and consultancy in civil engineering and environmental hydraulics. Retaining existing clients and developing strong long term relationships is therefore important.

Economic environment and funding

The majority of the Group's commercial activity is driven by the wider economic environment and therefore subject to growth and recessionary influences from economic cycles at both global and country level. These cycles will drive or weaken expenditure from both private and public sectors. Maintaining awareness of the environment and shaping our growth or defensive stance is key to sustaining the Group through these economic cycles.

Strategic report (continued)

Staff risk

The Company's continued competitive and reputational success depends upon having sufficient staff with appropriate skills. There is a risk that if the Company loses or fails to attract personnel of the requisite calibre this could adversely impact the business. So, as well as ensuring our pay and benefits are comparable to or better than industry norms, we continue to invest in training and developing our people to the highest standards.

Reputational risk

The Company has a unique culture which is embraced in our guiding principles and the attitude of our staff towards delivering leading edge research and consultancy to maintain our reputation. Any design, management or communication errors can all threaten the reputation of the business which would seriously affect our sustainability. Therefore we continually aim to improve our understanding of our clients working environment; their priorities, their needs and their expectations.

Pension scheme risk

The Company operates a defined benefit pension scheme which closed to future accrual of benefits at 31 March 2014. Details are included in note 17. Under the actuarial valuation performed on 31 March 2019, the pension scheme was in deficit and the directors have a formal on-going funding plan to address this deficit. It should be noted that even small changes in the key assumptions could result in a large change (either way) in the net liability. The directors monitor the pension scheme and assumptions on an annual basis. The scheme's next triennial valuation is performed on 31 March 2022 and will be finalised later this year.

Brexit

Following the end of the Transition Period on 31 December 2020, the introduction of a new relationship from 1 January 2021 and United Kingdom's formal exit from the European Union on 31 January 2021, the Company has continued to manage key risks regarding changes to import and export arrangements. More importantly, the Board continues to monitor the impact on our EU national staff and our ability to attract the best candidates to join HR Wallingford and has developed appropriate systems and processes to meet the new statutory requirements.

COVID-19 pandemic

The emergence of the COVID-19 virus in December 2019 followed by the declaration of a global pandemic by the World Health Organisation in March 2020 presents a continuing situation and is a risk to the Company. The Company has responded in line with national guidelines in all the countries that it operates in to maintain the safety of its staff, customers and supply chain. The Company has seen only limited financial impact and has been able to transition the majority of staff to remote-working when required and hybrid-working where appropriate. Physical modelling activities continue under revised safe operating procedures. The Company continues to note that the virus remains present and may evolve further and that future precautions, including lockdowns may be required.

Liquidity risk

The Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient funds for operational and planned expansions.

Foreign exchange risk

The majority of the Company's sales are in sterling but the Company will, for material non-sterling sales, hedge any foreign currency exchange exposure. At 31 March 2022 there were no forward contracts in place.

Strategic report (continued)

Directors' Duties – S.172 Companies Act 2006

The directors behave and carry out their activities to promote long-term success for the benefit of the company's employees, customers, shareholder, the research community and other stakeholders.

They discuss with employees, customers, shareholder, suppliers and other stakeholders to discern their insights and views when making decisions on strategy, research, delivering operational effectiveness, making plans, driving initiatives and committing to deliver outcomes that enhance social value.

The directors promote values and a culture based on maintaining the highest standards of business conduct and in promoting the long term success of the company.

Examples of measures taken during the year by the directors as they observe these principles include:

- Activity focused on increasing staff engagement and satisfaction including significant staff contributions on diversity and inclusion, sustainability, working environment, company branding and IT.
- Investment in external "Green" rooms and a re-designed informal meeting Hub facility at our Wallingford office.
- Engagement with Pension Trustees to support management of the Scheme and a transparent understanding of the performance of the Company
- Engagement with the members of the parent company, HR Wallingford Group Ltd to allow the directors to be aware of issues the members have identified and to which it may be appropriate for the company to respond to.

Key performance indicators (KPIs)

The directors are of the opinion that the KPIs are turnover, operating profit, research expenditure, capital investment and cash generation:

As anticipated, turnover decreased in the financial year by £6.2m to £31.7m due to non-recurring revenue following delivery of major components on the SSSRI contract in the prior year. Operating profit decreased by £2.4m to £3.1m including a gain on revaluation on our investment properties in the current year. Excluding the gain on revaluation, our underlying operating profit¹ decreased by £1.7m to £3.0m driven by the margin lost on the lower turnover. The Company continued to undertake research on behalf of the group into new areas of hydraulic engineering. Capital expenditure investments continue to be made by the Company to support all lines of business and cash balances remain at an appropriate level.

¹ Underlying operating profit is calculated as operating profit before gain/loss on revaluation of investment properties.

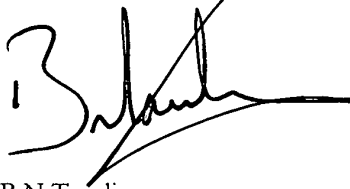
Strategic report (continued)

Non-financial indicators are also used by the Company as appropriate, for example staff engagement, client feedback and health & safety statistics. The Company maintains a rolling three year internal strategic plan. Our vision is to be the consultant, innovator and employer of choice at the interface between water and the natural and built environment. We deliver across five key themes.

- Extend financial strength
- Excellence in skills, leadership and engagement
- World leading research and innovation
- Exceptional capability with global reach
- A world-class HR Wallingford

The directors monitor progress; adjusting future objectives annually in line with current circumstances.

By order of the Board

A handwritten signature in black ink, appearing to read 'B N Tomlinson', with a long horizontal flourish extending to the right.

B N Tomlinson
Director
1 August 2022

Report of the directors

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2022.

Future developments

Both the level of business during the year and financial position at the year-end were satisfactory. The directors expect the business to operate at a sustainable level for the foreseeable future.

Dividends and other distributions from reserves

The directors have not recommended payment of a dividend for the year (2021: nil). The company made gift aid payments to its immediate parent undertaking of £3.0m (2021: £1.5m).

Research and development

The Company has a commitment to research and development in order to maintain and enhance product technology and retain a competitive position in the market. The Company has endorsed the Research Council UK Policy and Code of Conduct on the Governance of Good Research Conduct and the Concordat to Support the Career Development of Researchers. The Concordat consists of principles for the future support and management of research careers, support and management of researchers and emphasises the responsibility of researchers to take control of their career and to further it through informed decisions.

Employees

The Company is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to application for employment from disabled persons, having regard to their particular aptitudes and abilities. The Company has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

The Company has a policy of providing employees with financial and other information about the business and ensures that the suggestions and views of employees are considered. The Company encourages open discussion on key business issues, policies and the working environment and uses an anonymous annual survey to assess the level of employee engagement and satisfaction and as an opportunity for further staff feedback.

Directors

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

R Bentiba
AJ Brown
GD Leeming
BN Tomlinson

Directors' Indemnity

The directors of the Company had the benefit of a qualifying indemnity provision throughout the financial year ended 31 March 2022 and the provision is currently in force.

Report of the directors (continued)

Streamlined energy and carbon report (SECR)

The organisational boundary for the SECR is the UK operations of the Company. We have measured our scope 1, 2 and certain scope 3 emissions following the 2019 UK Government environmental guidance and we have used 2021 UK Government recommended conversion factors for calculating the reported emissions. The Company has a long-term Power Purchase Agreement to purchase electricity supplied through a private wire arrangement from an on-site photovoltaic system. As a direct supply from a solar source we have applied an emissions factor of zero and not included any transmission and distribution emissions. Activity inputs are measured in all reported cases and are not estimated.

| Green House Gas emissions and energy use data for the year ending 31 March | 2022 | 2021 |
|--|--------------|-------------|
| Scope 1 (direct emissions tCO₂e) | | |
| Gas consumption | 221 | 196 |
| Owned transport | 19 | 16 |
| <i>Energy consumption used to calculate above emissions ('000 kWh)</i> | 1,283 | 1,127 |
| Scope 2 (indirect emissions tCO₂e) | | |
| Emissions from purchased electricity | 338 | 379 |
| <i>Energy consumption used to calculate above emissions ('000 kWh)</i> | 2,205 | 2,247 |
| Total gross Scope 1 & 2 emissions (tCO₂e) | 578 | 591 |
| <i>Energy consumption used to calculate above emissions ('000 kWh)</i> | 3,488 | 3,374 |
| <i>Intensity ratio: tCO₂e (gross Scope 1 & 2) / £m revenue</i> | 18.3 | 15.6 |
| Scope 3 (other indirect emissions tCO₂e) | | |
| Purchased goods & services (aggregates, concrete, paper and water usage only) | 108 | 91 |
| Fuel and energy-related activities not included in Scopes 1 & 2 | 44 | 41 |
| Waste generated in process operations including: wood, food, metal, WEEE, glass, and wastewater treatment only | 538 | 638 |
| Business travel (flights and train journeys only) | 95 | 6 |
| Total gross Scope 3 emissions (tCO₂e) | 785 | 776 |
| Total annual gross tCO₂e based on above | 1,363 | 1,367 |

Emissions have reduced slightly from the prior year. The prior year was significantly impacted by the COVID-19 pandemic and the associated lockdowns. This year saw a rise in emissions as travel restrictions were lifted but this has been compensated in reduced waste based emissions and lower emissions from our Scope 2 purchased electricity. Initiatives such as hybrid-working and video-conferencing have contributed to limiting the increase and emissions remain lower than the pre-pandemic position.

Report of the directors (continued)

Business relationships

The section 172 statement in the strategic report summarises how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year. Further detail is provided in the Strategic Report.

Disclosure of information to the auditor

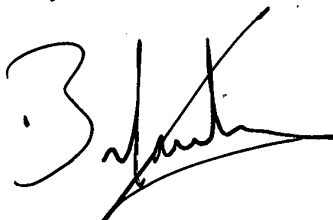
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent auditor

RSM UK Audit LLP were approved as independent auditor of these financial statements at the Annual General Meeting held on 23 September 2021.

By order of the Board



B N Tomlinson
Director

1 August 2022
Howbery Park
Wallingford
Oxfordshire
OX10 8BA

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the Strategic Report, the Report of the directors and the financial statements

The directors are responsible for preparing the Strategic Report, the Report of the directors 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 they have prepared 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 then apply them consistently;
- make judgements and 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 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 of fraud and other irregularities.

Independent auditor's report to the members of HR Wallingford Limited

Opinion

We have audited the financial statements of HR Wallingford Limited (the 'company') for the year ended 31 March 2022 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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.

Independent auditor's report to the members of HR Wallingford Limited (continued)

Other information (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the 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 or the directors' report.

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

- adequate accounting records have not been kept, 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 directors' responsibilities statement set out on page 10, 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.

Independent auditor's report to the members of HR Wallingford Limited (continued)

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and pension law. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from external tax advisors and confirming that the company continues to make pension contributions in line with the agreed contribution schedule.

Independent auditor's report to the members of HR Wallingford Limited (continued)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

The audit engagement team identified the risk of management override of controls and revenue cut off as the areas where the financial statements were most susceptible to material misstatement due to fraud.

Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and reviewing and challenging managements stage of completion calculations on a sample of contracts at the balance sheet date.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

RSM UK Audit LLP

.....
Christopher Hurren BA FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third floor
One London Square
Cross Lanes
Guildford
GU1 1UN

18 August 2022

Income statement

| | | 2022 | 2021 |
|--|------|--------------|----------|
| | Note | £000 | £000 |
| Turnover | 1 | 31,669 | 37,867 |
| Operating expenses | 2 | (30,989) | (35,271) |
| Other operating income | 3 | 2,333 | 2,135 |
| Operating profit before revaluation of investment properties | | 3,013 | 4,731 |
| Gain on revaluation of investment properties | | 70 | 780 |
| Operating profit | 4 | 3,083 | 5,511 |
| Interest payable and similar expenses | 7 | (74) | (76) |
| Profit before taxation | | 3,009 | 5,435 |
| Tax on profit | 8 | (211) | (356) |
| Profit for the financial year | | 2,798 | 5,079 |

The notes on pages 19-34 form an integral part of the financial statements.

Statement of comprehensive income

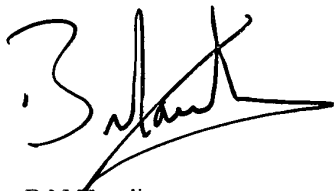
| | | 2022 | 2021 |
|--|------|---------------------|-----------------------|
| | Note | £000 | £000 |
| Profit for the financial year | | 2,798 | 5,079 |
| Gain/(loss) in respect of defined benefit pension scheme | 17 | <u>2,461</u> | <u>(1,788)</u> |
| Total other comprehensive gain/(loss) | | <u>2,461</u> | <u>(1,788)</u> |
| Total comprehensive income for the financial year | | <u>5,259</u> | <u>3,291</u> |

The notes on pages 19-34 form an integral part of the financial statements.

Statement of financial position

| | | 2022 | 2021 |
|--|------|----------------------|----------------------|
| | Note | £000 | £000 |
| Fixed assets | | | |
| Property, plant and equipment | 9 | 26,090 | 25,736 |
| Investments | 10 | 330 | 330 |
| | | <u>26,420</u> | <u>26,066</u> |
| Current assets | | | |
| Stocks | 11 | 358 | 364 |
| Debtors: amounts falling due within one year | 12 | 14,620 | 13,314 |
| Cash at bank and in hand | 13 | 7,011 | 9,114 |
| | | <u>21,989</u> | <u>22,792</u> |
| Creditors: amounts falling due within one year | 14 | <u>(10,421)</u> | <u>(9,785)</u> |
| Net current assets | | <u>11,568</u> | <u>13,007</u> |
| Total assets less current liabilities | | 37,988 | 39,073 |
| Creditors: amounts falling due after more than one year | 15 | <u>(533)</u> | <u>(746)</u> |
| Net assets excluding pension liability | | 37,455 | 38,327 |
| Pension scheme liability | 17 | - | (3,131) |
| Net assets | | <u>37,455</u> | <u>35,196</u> |
| Capital and reserves | | | |
| Called-up share capital | 20 | 500 | 500 |
| Share premium account | 21 | 5,573 | 5,573 |
| Profit and loss account | | 31,382 | 29,123 |
| Total equity | | <u>37,455</u> | <u>35,196</u> |

The notes on pages 19 to 34 form an integral part of the financial statements. These financial statements on pages 15 to 34 were approved by the directors and authorised for issue on 1 August 2022 and are signed on their behalf by:



B N Tomlinson
Director

Company number 02562099

Statement of changes in equity

| | Called up share capital £000 | Share premium £000 | Profit and loss account £000 | Total £000 |
|---|---------------------------------------|--------------------------|---------------------------------------|---------------|
| At 31 March 2020 | <u>500</u> | <u>5,573</u> | <u>27,308</u> | <u>33,381</u> |
| Profit for the financial year | - | - | 5,079 | 5,079 |
| Re-measurement loss in respect of defined benefit pension scheme | - | - | (1,788) | (1,788) |
| Total comprehensive profit for the financial year | <u>-</u> | <u>-</u> | <u>3,291</u> | <u>3,291</u> |
| Gift aid payment to parent company | - | - | (1,476) | (1,476) |
| Transactions with owners, recorded directly in equity | - | - | (1,476) | (1,476) |
| At 31 March 2021 | <u>500</u> | <u>5,573</u> | <u>29,123</u> | <u>35,196</u> |
| Profit for the financial year | - | - | 2,798 | 2,798 |
| Gain in respect of defined benefit pension scheme | - | - | 2,461 | 2,461 |
| Total comprehensive profit for the financial year | <u>-</u> | <u>-</u> | <u>5,259</u> | <u>5,259</u> |
| Gift aid payment to parent company | - | - | (3,000) | (3,000) |
| Transactions with owners, recorded directly in equity | - | - | (3,000) | (3,000) |
| At 31 March 2022 | <u>500</u> | <u>5,573</u> | <u>31,382</u> | <u>37,455</u> |

The notes on pages 19-34 form an integral part of the financial statements.

Principal accounting policies

Company information

HR Wallingford Limited is a limited liability company incorporated in England. The Registered Office is Howbery Park, Wallingford, Oxfordshire OX10 8BA.

Basis of preparation

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 and under the historical cost convention, modified to include the revaluation of investment properties and certain financial instruments at fair value.

The financial statements are prepared in pounds sterling which is the Company’s functional currency and rounded to the nearest £1,000.

Going concern

After considering the Company’s future prospects, associated cash flow projections, the level of net assets and the availability of credit facilities (including the option to secure those facilities on those assets), the directors have full expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least for a period of twelve months from the date the financial statements are signed. This assessment has been made with consideration of the potential impacts of the COVID-19 pandemic. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The principal accounting policies of the Company are set out below.

Reduced disclosures

The Company has taken advantage of the exemption from disclosing the following information in its company only accounts, as permitted by the reduced disclosure regime within FRS 102:

- Section 7 ‘Statement of Cash Flows’ – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 ‘Basic Financial Instruments’ & Section 12 ‘Other Financial Instrument Issues’ – Interest income/expense and net gains/losses for financial instruments not measured at fair value, amount of any impairment loss, risks arising from financial instruments, and transferred financial assets not derecognised, loan defaults or breaches, and descriptions of hedging relationships.

Consolidation

The Company is a wholly owned subsidiary of HR Wallingford Group Limited, a company incorporated in the United Kingdom and, in accordance with section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. Therefore these financial statements contain information about the Company as an individual entity, and not about its group.

Turnover and revenue recognition

Turnover is recognised as earned when, and to the extent that, the Company obtains the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding VAT.

Principal accounting policies (continued)

Turnover and revenue recognition (continued)

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations whilst allowing for uncertainty of costs to completion. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of the work performed less any identified future cost overruns. Longer term equipment supply revenue is recognised by reference to clear delivery stages.

Revenue not billed to clients is included in debtors as accrued income. Rental income and services charges are recognised equally over the rental period. Income from catering services is recognised as and when the service is performed.

Research and development

Research and development expenditure is written off as incurred.

Investments

Fixed asset investments in subsidiaries are included at cost less amounts written off.

Tangible fixed assets

Fixed assets are initially included at cost.

The cost of self-constructed tangible fixed assets comprises the direct cost of materials, direct manufacturing expenses, and appropriate allocations of material and manufacturing overheads. If the construction phase of tangible fixed assets extends over a long period the interest incurred on borrowed capital up to the date of completion is capitalised as a part of the cost of construction.

Land and buildings are accounted for separately even when acquired together.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, and is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---------------------|---|--------------------------|
| Freehold property | - | 8-50 years straight line |
| Plant & machinery | - | 3-10 years straight line |
| Fixtures & fittings | - | 3-20 years straight line |
| Computer equipment | - | 3-10 years straight line |

No depreciation is charged on assets during the course of construction.

Investment properties

Certain of the Company's properties are held for long-term investment. Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. Subsequent to recognition, investment properties whose fair value can be measured reliably are measured at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and no depreciation is provided in respect of investment properties applying the fair value model.

Principal accounting policies (continued)

Operating lease agreements

As lessor: rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

As lessee: annual rentals are charged to profit or loss on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and recognised, on a straight-line basis over the lease term.

Pension costs and other post-retirement benefits

The Company operates a group personal pension plan in the UK for eligible employees and benefits are based on each individual member's personal account. The plan is operated by an insurance company. Pension costs of the Company's personal pension plan are charged to the profit and loss account as incurred.

The Company operated a defined benefit pension scheme for its UK employees until 31 March 2014 when it was closed to future accrual of benefits. The funds and liabilities of the defined benefit scheme are valued every three years by a professionally qualified independent actuary. The most recent actuarial valuation took place as at 31 March 2019. In the intervening years the actuary reviews the continuing appropriateness of the rates and assumptions.

The assets of the scheme are held separately from those of the Company by trustees. Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using a discount rate that is equivalent to the AA corporate bond. Pension scheme assets are valued at market value at the balance sheet date. A pension scheme deficit is recognised in full on the Company balance sheet. A pension scheme surplus is restricted to nil on the Company balance sheet as the Company has determined that it is unlikely to be able to receive economic benefit from that surplus.

The current and past service costs and costs from settlements and curtailments are charged against operating profit. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the Company statement of other comprehensive income.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Gift aid payments

Gift aid payments are treated as a distribution from reserves and are accounted for when paid or when there is a legal obligation.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 entity after deducting all of its financial liabilities.

Principal accounting policies (continued)

Financial instruments (continued)

Basic financial instruments

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments (including derivatives) are measured at fair value with changes recognised in profit or loss.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

Holiday pay accrual

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Bank loans

Bank loans which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised costs using the effective interest method.

Principal accounting policies (continued)

Grant income

Grants relating to turnover are recognised as income over the periods when the related costs are incurred.

Deferred taxation

Deferred tax is measured on an undiscounted basis on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Accounting judgements and key sources of estimation uncertainty

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 revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition

The Company recognises revenue from the provision of services other than catering services as contract activity progresses. In making its judgement as to the value of work performed, and the estimate of costs to complete the contract (including any foreseeable cost overruns), management consider that while there is a degree of judgement in determining these factors, there is sufficient certainty to ensure that the Company meets the requirements of FRS 102 in relation to revenue recognition.

Revaluation of investment properties

The Company carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Company engaged independent valuation specialists to determine fair value at 31 March 2022 and at the beginning and end of the comparative period.

The valuer has used the investment method of valuation. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 9.

Deferred tax

The Company does not recognise deferred tax relating to UK corporation tax. The directors have considered the existing and future tax environment and has assessed that Company's ability to rely on gift aid as a tax-deductible expense, the continuing exemption provided to HR Wallingford Group Limited, the Company's parent undertaking, by s.469 of the Corporation Taxes Act 2010 and the Company's ability to deliver on the required research obligation. This assessment has concluded that the Company should not recognise UK deferred tax assets or liabilities as there will be no future benefit or cost due to the various tax reliefs available.

Principal accounting policies (continued)

Accounting judgements and key sources of estimation uncertainty (continued)

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 17.

Allowance for doubtful debts

Management undertakes a review of all new customers and a periodic review of existing customers to determine whether specific risks of default exist. Beyond identification of specific risks, management undertakes periodic reviews into the calculation of allowances for doubtful debts to ensure historic trends continue to provide a basis for determining a reliable estimate for doubtful debts.

Determining residual values and useful economic lives of property, plant and equipment

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of the asset is based on historic performance as well as expectations of future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes. Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market price.

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the principal activities of the Company. An analysis of turnover by geographic location and type of product/service is given below:

| | 2022 £000 | 2021 £000 |
|----------------|---------------|---------------|
| United Kingdom | 7,747 | 8,329 |
| Asia | 12,195 | 12,186 |
| Europe | 5,973 | 10,319 |
| Rest of world | 5,754 | 7,033 |
| | <u>31,669</u> | <u>37,867</u> |

| | 2022 £000 | 2021 £000 |
|---------------------------------|---------------|---------------|
| Consulting | 22,185 | 24,996 |
| Software and support | 4,601 | 3,774 |
| Equipment provision and support | 4,883 | 9,097 |
| | <u>31,669</u> | <u>37,867</u> |

2 Operating expenses

| | 2022 £000 | 2021 £000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 9,935 | 15,480 |
| Staff costs | 15,100 | 14,514 |
| Depreciation | 949 | 994 |
| Other operating expenses | 5,005 | 4,283 |
| | <u>30,989</u> | <u>35,271</u> |

3 Other operating income

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Rent receivable, catering and royalty income | <u>2,333</u> | <u>2,135</u> |

4 Operating profit

Operating profit is stated after charging:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Research and development expenditure credits | (645) | (683) |
| Research and development expenditure as incurred | 1,369 | 452 |
| Depreciation of owned fixed assets | 949 | 994 |
| Foreign exchange (gain) / loss | 10 | 331 |
| Services provided by the Company's auditor: | | |
| Fees payable for the audit | <u>35</u> | <u>29</u> |

Fees payable to the Company's auditor for non-statutory audit services were £15,000 (2021: £10,000).

Notes to the financial statements (continued)

5 Particulars of employees

The below is based on full time equivalent (FTE) number of staff employed by the Company during the financial year amounted to:

| | 2022 Number | 2021 Number |
|--------------------------------|----------------|----------------|
| Number of technical staff | 218 | 206 |
| Number of administration staff | 18 | 14 |
| | <u>236</u> | <u>220</u> |

The aggregate payroll costs of the above were:

| | 2022 £000 | 2021 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 12,403 | 11,874 |
| Social security costs | 1,284 | 1,289 |
| Other pension costs | 1,413 | 1,351 |
| | <u>15,100</u> | <u>14,514</u> |

Other pension costs are amounts charged to operating profit and do not include amounts recognised as finance charges (see note 7) and amounts recognised in the statement of comprehensive income.

6 Directors

Remuneration in respect of directors was as follows:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Emoluments | 617 | 638 |
| Pension contributions to defined contribution pension plan | 80 | 78 |
| | <u>697</u> | <u>716</u> |

Emoluments of highest paid director:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Emoluments | 211 | 203 |
| Pension contributions to defined benefit contribution plan | 27 | 26 |
| | <u>238</u> | <u>229</u> |

The number of directors to whom retirement benefits are accruing under the defined contribution scheme was 4 (2021: 4).

7 Interest payable and similar expenses

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Interest receivable | 1 | 4 |
| Interest payable on bank borrowing | (20) | (34) |
| Finance charge on defined benefit pension scheme (see note 17) | (55) | (46) |
| | <u>(74)</u> | <u>(76)</u> |

Notes to the financial statements (continued)

8 Tax on profit

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Current tax on income for the year | | |
| UK corporation tax | 116 | 329 |
| Foreign tax | 112 | 23 |
| | <u>228</u> | <u>352</u> |
| Adjustments in respect of prior years: | | |
| UK corporation tax | (17) | 4 |
| Total current tax | <u>211</u> | <u>356</u> |

Profits chargeable to corporation tax are reduced as a result of payments made under Gift Aid to the parent company under Section 469 of the Corporation Taxes Act 2010. The directors have approved a gift aid payment of £450,000 (2021: £3,000,000) to be paid to its parent company before 31 December 2022.

The Company is in receipt of grants from the government under the R&D Expenditure Credits ('RDEC') scheme, and amounts receivable for the current and prior years totalling £645,000 (2021: £683,000) have been credited to other operating expenses in the income statement.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Profit before tax | <u>3,009</u> | <u>5,435</u> |
| Tax on profit at standard UK corporation tax rate of 19% (2021: 19%) | 572 | 1,032 |
| Effects of: | | |
| Fixed asset differences | 63 | 118 |
| Deduction for gift aid paid in following financial year | (86) | (570) |
| Expenses not deductible for tax purposes | 62 | 151 |
| Additional deduction for R&D tax expenditure | (4) | 1 |
| Group relief claimed | (34) | (100) |
| Differences in respect of foreign rates | 13 | 6 |
| Chargeable gains | 13 | 148 |
| Adjustments to tax charge in respect of previous periods | (17) | 4 |
| Deferred tax not recognised | (371) | (434) |
| Total tax charge for the period | <u>211</u> | <u>356</u> |

At Spring budget 2021, the Government announced an increase in the Corporations Tax main rate from 19% to 25% for companies with profits over £250,000.

Notes to the financial statements (continued)

9 Property, plant and equipment

| | Investment property £000 | Freehold property £000 | Plant & machinery £000 | Fixtures & fittings £000 | Computer equipment £000 | Assets under construction £000 | Total £000 |
|-------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|-------------------------------|--------------------------------------|---------------|
| Cost or valuation | | | | | | | |
| At 1 April 2021 | 11,920 | 19,924 | 3,908 | 758 | 2,351 | - | 38,861 |
| Other additions | - | 89 | 518 | - | 210 | 416 | 1,233 |
| Revaluation | 70 | - | - | - | - | - | 70 |
| At 31 March 2022 | 11,990 | 20,013 | 4,426 | 758 | 2,561 | 416 | 40,164 |
| Depreciation | | | | | | | |
| At 1 April 2021 | - | 7,959 | 3,030 | 504 | 1,632 | - | 13,125 |
| Charge for the year | - | 382 | 250 | 36 | 281 | - | 949 |
| At 31 March 2022 | - | 8,341 | 3,280 | 540 | 1,913 | - | 14,074 |
| Net book value | | | | | | | |
| At 31 March 2022 | 11,990 | 11,672 | 1,146 | 218 | 648 | 416 | 26,090 |
| At 31 March 2021 | 11,920 | 11,965 | 878 | 254 | 719 | - | 25,736 |

Investment properties were revalued on 31 March 2022 by the directors based on a valuation by BNP Paribas Real Estate, Chartered Surveyors. The basis of the valuation was fair value, in accordance with The Royal Institution of Chartered Surveyors Valuation Professional Standards 2014 and the relevant provisions of FRS 102. The gain on revaluation has been recognised in the Income Statement.

The investment method of valuation has been adopted by the valuers, whereby the rental income stream is capitalised at appropriate capitalisation rates based on current comparable investment transactions and an understanding of the office and wider commercial investment market in the UK as at 31 March 2022.

If these fixed assets had not been revalued, they would have been included on the historical cost basis at the following amounts:

| | Investment property £000 |
|--|--------------------------------|
| Cost | 6,665 |
| Accumulated depreciation | (3,169) |
| Carrying value at 31 March 2022 on historical cost basis | 3,496 |

At the year end, the company was committed to making capital purchases on respect of plant and machinery and freehold property. The total amount contracted for but not provided in the financial statements was £100,839.

Notes to the financial statements (continued)

10 Investments

Shares in subsidiary undertakings £000

Cost and net book value

At 31 March 2022 and at 31 March 2021 330

At the year end the Company had the following active, directly held subsidiaries:

| Name of undertaking | Registered Office | Nature of business |
|---|--|-----------------------------------|
| HR Wallingford Asia Sdn Bhd | 193 Jalan Tasik Selatan, 57000, Kuala Lumpur, Malaysia | Consulting services in Hydraulics |
| HR Wallingford India Pvt Limited | 228 Avior Nirmal Galaxy, LBS Marg, Mulund (West), Mumbai 4000, India | Consulting services in Hydraulics |
| HR Wallingford Pty Limited | Central Park, Level 43, 152-158 St Georges Terrace, Perth WA 6000, Australia | Consulting services in Hydraulics |
| HR Wallingford Inc | 3100 Timmons Lane, Suite 435, Houston, TX 77027, USA | Consulting services in Hydraulics |
| HRW Hydraulic Environment Technology Consultancy (Shanghai) Ltd | No. 58 Changliu Road, Zen Dai Cube Edifice, Shanghai 200135, China | Consulting services in Hydraulics |
| HR Wallingford LLC* | P.O. Box: 127432, Abu Dhabi, UAE | Consulting services in Hydraulics |

* HR Wallingford Limited holds 49% of the ordinary shares of HR Wallingford LLC and the rights to substantially all of the financial interests.

Except as noted, the Company holds directly the entire ordinary share capital of the entities listed. The directors believe that the carrying value of the investments is supported by their underlying net assets and future projected cash flows.

11 Stocks

| | 2022 | 2021 |
|-------------------------------|------------|------------|
| | £000 | £000 |
| Raw materials and consumables | <u>358</u> | <u>364</u> |

12 Debtors

| | 2022 | 2021 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade debtors | 5,196 | 5,646 |
| Amounts owed by group undertakings | 3,849 | 2,470 |
| Corporation tax recoverable | 802 | 341 |
| Other debtors | - | 2 |
| Prepayments and accrued income | 4,773 | 4,855 |
| | <u>14,620</u> | <u>13,314</u> |

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements (continued)

13 Cash at bank and in hand

| | 2022 £000 | 2021 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | <u>7,011</u> | <u>9,114</u> |

14 Creditors: amounts falling due within one year

| | 2022 £000 | 2021 £000 |
|------------------------------|---------------|--------------|
| Secured bank loans | 215 | 215 |
| Trade creditors | 805 | 767 |
| Taxation and social security | 300 | 398 |
| Other creditors | 6 | 6 |
| Accruals and deferred income | 9,095 | 8,399 |
| | <u>10,421</u> | <u>9,785</u> |

15 Creditors: amounts falling due after more than one year

| | 2022 £000 | 2021 £000 |
|--------------------|--------------|--------------|
| Secured bank loans | <u>533</u> | <u>746</u> |

The bank loans are secured on the fixed assets which they have financed. Amounts repayable by instalments falling due after more than five years are £91k (2021: £156k).

Bank borrowings mature annually at £215k per annum from 31 March 2022 until 31 March 2024 then £90k to March 2025 and £65k to March 2028 and £16k to March 2029 (2021: £215k per annum from 31 March 2020 until 31 March 2024 then £90k to March 2025 and £65k to March 2028 and £16k to March 2029) bear average variable-rate coupons of 2% above the bank's base rate (2021: 2.1% above the bank's base rate). The Company makes quarterly repayments of the bank borrowings. All bank borrowings are denominated and repaid in pounds sterling.

16 Deferred tax assets and liabilities

The company does not recognise deferred tax assets or liabilities as the directors do not believe the eventual benefit or cost will materialise due to the various tax reliefs available to the company, including the option of gift aid payments to its parent company.

| Deferred tax assets/(liabilities) not recognised: | 2022 £000 | 2021 £000 |
|---|----------------|----------------|
| Fixed asset timing differences | (2,057) | (1,403) |
| Short term timing differences | 112 | 753 |
| Capital gains | (524) | (385) |
| | <u>(2,469)</u> | <u>(1,035)</u> |

Notes to the financial statements (continued)

17 Pension commitments

The Company operates a Group Personal Pension Plan, a defined contribution plan and the Hydraulic Research Pension Scheme, a defined benefit pension scheme.

Defined contribution plan

The cost of the Group Personal Pension Plan for the year was £1,413,000 (2021: £1,351,000).

Defined benefit scheme

The Scheme was closed to future accrual with effect from 31 March 2014.

The most recent comprehensive triennial valuation of the Scheme was carried out at 31 March 2019. The Company has employed an independent actuary to approximately update this valuation, as required by FRS102, allowing for differences between the actuarial assumptions used by the Scheme for funding purposes and those adopted by the Company to measure the Scheme's liabilities on the financial statements, as well as adjusting for benefits paid by the Scheme. The Company paid contributions totalling £0.7m over the period ended 31 March 2022 in respect of payments to repair the funding deficit and the Company is expected to make deficit recovery payments totalling £0.7m over the next year. Following the latest High Court ruling on 20 November 2020 relating to equalising past transfers for inequalities in Guaranteed Minimum Pension (GMP) benefits, a prior service cost of £10,000 was recognised in the prior year and was included in the liabilities at 31 March 2021 to reflect the estimated impact of GMP equalisation for the Scheme. The Trustees of the Scheme have a charge over certain Company investment properties and related rental income. The value of these properties was £8m at 31 March 2022.

The principal assumptions used by the actuary were:

| Assumptions at 31 March | 2022 | 2021 |
|---|---|---|
| Interest rate for discounting liabilities | 2.60% | 2.00% |
| Retail Price Inflation | 3.55% | 3.20% |
| Consumer Price Inflation | 3.10% | 2.70% |
| Pension increases pre April 1997 | 3.10% | 2.70% |
| Pension increases post April 1997 | 3.10% | 2.70% |
| Mortality: | | |
| Non-pensioner mortality | S2PA tables; year of birth with future improvements in line with CMI 2021 | S2PA tables; year of birth with future improvements in line with CMI 2020 |
| Pensioner mortality | S2PA tables; year of birth with future improvements in line with CMI 2021 | S2PA tables; year of birth with future improvements in line with CMI 2020 |
| Life expectancy (years): | | |
| Current pensioner aged 65 (male) | 21.6 | 21.6 |
| Current pensioner aged 65 (female) | 23.6 | 23.6 |
| Future pensioner aged 65 in 20 years (male) | 22.9 | 22.9 |
| Future pensioner aged 65 in 20 years (female) | 25.1 | 25.1 |

The expected return on plan assets is a blended average of projected long-term returns for the various asset classes. Equity returns are developed based on the selection of an equity risk premium above the risk free rate, which is measured by reference to the yield on government bonds. Corporate bond returns are determined by reference to the long term yields available on high quality sterling corporate debt, measured by reference to an excess over the yield on government bonds.

Notes to the financial statements (continued)

17 Pension commitments (continued)

Movement in asset/(liability) recognised in the balance sheet during the period

| | Assets £000 | Liabilities £000 | Total £000 |
|---|-----------------------|-------------------------|---------------------|
| At 1 April 2021 | 105,791 | (108,922) | (3,131) |
| Benefits paid | (3,834) | 3,834 | - |
| Employer contributions | 725 | - | 725 |
| Interest income /(expenses) | 2,085 | (2,140) | (55) |
| Past service cost | - | - | - |
| Re-measurements included in other comprehensive income: | | 6,511 | 6,511 |
| - Actuarial gains | - | - | - |
| - Return on plan assets excluding interest income | 5,228 | - | 5,228 |
| At 31 March 2022 | <u>109,995</u> | <u>(100,717)</u> | <u>9,278</u> |

The actual return on assets over the year was £7,314,000 gain (2021: £17,330,000 gain).

The amounts recognised in the balance sheet are as follows:

| | 2022 £000 | 2021 £000 |
|-------------------------------------|--------------|----------------|
| Fair value of scheme assets | 109,995 | 105,791 |
| Present value of scheme liabilities | (100,717) | (108,922) |
| Surplus / (deficit) | 9,278 | (3,131) |
| Irrecoverable surplus | (9,278) | - |
| Asset/(liability) | <u>-</u> | <u>(3,131)</u> |

The Company has determined that it is unlikely to be able to receive economic benefit from the surplus either through reduced contributions in the future or through refunds from the Scheme and hence the surplus has been restricted to nil on the balance sheet.

Pension cost recognised in the income statement for the year ended 31 March

| | 2022 £000 | 2021 £000 |
|--|-------------------|-------------------|
| Operating cost | | |
| Past service cost | - | 10 |
| Administration expenses | 308 | 469 |
| Subtotal for operating cost | <u>308</u> | <u>479</u> |
| Interest income on assets | (2,085) | (2,102) |
| Interest cost on defined benefit obligations | 2,140 | 2,148 |
| Subtotal for finance cost | <u>55</u> | <u>46</u> |
| Total pension cost | <u><u>363</u></u> | <u><u>525</u></u> |

Notes to the financial statements (continued)

17 Pension commitments (continued)

| Asset categories as at 31 March | 2022 £000 | 2021 £000 |
|---------------------------------|----------------|----------------|
| Equities | 34,074 | 33,435 |
| Bonds | 75,014 | 71,265 |
| Cash | 907 | 1,091 |
| Total | <u>109,995</u> | <u>105,791</u> |

Sensitivity to assumptions

The liabilities at 31 March 2022 are £101m; the approximate effects of movements in the main assumptions on this value are shown in the table below:

| | Increase by 0.1% £000 | Decrease by 0.1% £000 |
|---|--------------------------|--------------------------|
| Discount rate increased/decreased by 0.1% | -£1,650 | +£1,650 |
| RPI/CPI inflation increased/decreased by 0.1% | +£1,450 | -£1,450 |

18 Contingent liabilities

Under HM Revenue & Customs regulations the parent company, HR Wallingford Group Limited has Scientific Research Association status under Section 469 of the Corporation Taxes Act 2010. The Company benefits from corporation tax exemption by making gift aid payments to the exempt parent company. An annual retrospective self-assessment return by the parent company to HM Revenue & Customs is required to confirm tax exempt status.

The Company has provided guarantees in favour of certain customers within the normal course of business. The guarantees are drawn under our secured borrowing facilities. As at 31 March 2022, these guarantees in relation to drawn balances totalled £1.4m (2021: £4.5m).

19 Related party transactions

Transactions between the Company and its subsidiary undertaking, HR Wallingford LLC are disclosed below: The amount owed to HR Wallingford LLC at 31 March 2022 was £473K.

| | 2022 £000 | 2021 £000 |
|--------------------------------------|--------------|--------------|
| Sales of services in the year | 5 | 369 |
| Purchase of services in the year | 764 | 1,190 |
| Payments made on behalf of the party | 541 | 507 |

20 Called up share capital

Allotted, called up and fully paid:

| | 2022 | | 2021 | |
|----------------------------|----------------|------------|----------------|------------|
| | Number | £000 | Number | £000 |
| Ordinary shares of £1 each | <u>500,000</u> | <u>500</u> | <u>500,000</u> | <u>500</u> |

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Notes to the financial statements (continued)

21 Reserves

Reserves of the Company represent the following:

Share Premium

This reserve records the amount above the nominal value received for shares issued, less transaction costs. There was no movement on the share premium account during the current and prior financial year and the balance at 31 March 2022 was £5,573,000 (2021: £5,573,000).

Profit and loss account

This reserve records the accumulated movements in total comprehensive income less any dividends or gift aid payments made in current or previous periods.

22 Operating leases as lessor

The Company owns a number of investment properties which are let to third parties. These non-cancellable operating leases have remaining terms of between one and five years. All leases include a provision for periodic rent reviews according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Not later than one year | 1,774 | 1,701 |
| After one year but not more than five years | 2,646 | 3,961 |
| After five years | - | 22 |
| | <u>4,420</u> | <u>5,684</u> |

23 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Not later than one year | 75 | 75 |
| After one year but not more than five years | 162 | 237 |
| | <u>237</u> | <u>312</u> |

During the year £73k was recognised as an expense in the profit and loss account in respect of operating leases (2021: £73k).

24 Ultimate parent company

The directors consider that the ultimate parent undertaking of this Company is HR Wallingford Group Limited, a company registered in England and Wales. The ultimate controlling party is considered to be the members of HR Wallingford Group Limited. The smallest and largest group of undertakings for which group financial statements have been drawn up is that headed by HR Wallingford Group Limited. Copies of the group financial statements can be obtained from the Company's registered office from The Secretary, HR Wallingford Group Limited, Howbery Park, Wallingford, OX10 8BA.