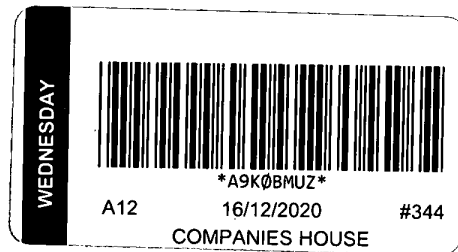


HR Wallingford Limited
Annual Report and Financial Statements
for the year ended 31 March 2020



Company No. 02562099

Company information

Company registration number	02562099
Registered office	Howbery Park Wallingford Oxfordshire OX10 8BA
Directors	AJ Brown GD Leeming KA Powell BN Tomlinson
Company secretary	NA Norris
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 Barclays Bank plc Apex Plaza Forbury Road Reading RG1 1AX

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Strategic report

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

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. Noting the uncertainties caused by the COVID-19 pandemic, the directors are pleased to note that, at the time of this report, the pipeline for new business remains strong and the business has transitioned to an effective remote-working position. 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.

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.

Strategic report (continued)

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. The pension scheme is in deficit and the directors have a formal on-going plan to deal with this deficit. It should be noted that even small changes in the key assumptions could result in a large change in the net liability. The directors monitor the pension scheme and assumptions on an annual basis.

Brexit

The Company will be affected by the referendum decision in June 2016, the subsequent Royal Assent of the European Union (Withdrawal Agreement) Act in January 2020 and the transition period ending 31 December 2020. The terms of any possible exit arrangement remain unclear. The key risks to the Company include; impact on exports and imports due to possible tariffs or other conditions, possible loss of existing EU national staff and loss of access to potential staff recruits and any impact on the value of the Pound Sterling. It is also noted that the UK government has committed to support research funding levels after the UK leaves Europe.

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 to maintain the safety of its staff, customers and supply chain. The Company has seen only limited impact on sales to June 2020 and has been able to transition the majority of staff to remote-working and to continue physical modelling activities under revised safe operating procedures. It is not possible to forecast the impact of any global downturn in demand but the Company believes it remains in a strong position due to its strong competitive advantage and robust balance sheet.

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.

Interest rate cash flow risk

The Company will, where appropriate, hedge interest rates to manage risk. An interest rate swap was in place regarding the funding of a property leased to a third party. The details are included in the notes to the financial statements. The Company is not aware of any financial risk that has been identified and no action has been taken by the directors.

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 2020 there were no forward contracts in place.

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.

Strategic report (continued)

They engage with employees, customers, shareholder and other stakeholders to reflect 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 through the introduction of a Staff Council
- Engagement with Pension Trustees and the agreement of the 2019 actuarial valuation of the scheme including a scheme of pension deficit contributions
- 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:

Turnover rose in the financial year by £2,983k to £28,488k driven by strong demand. Headline operating profit increased by £570k to £3,009k due to the non-repeat of restructuring costs incurred in the prior year and a gain on revaluation on our investment properties in the current year. Excluding the gain on revaluation, our underlying operating profit¹ increased by £150k to £2,529k driven by the margin taken on the increased turnover. The Company continued to undertake research on behalf of the group into new areas of hydraulic engineering. Capital investment amounted to £877k (2019: £644k) with expenditure supporting all lines of business and cash balances decreased by £1,380k to £3,356k at 31 March 2020.

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 that HR Wallingford operates successfully as the consultant and employer of choice in our sector. Our plan is focused on five themes as follows:

- Maintain financial resilience
- Increase staff engagement, development and resource versatility
- World leading research and innovation
- Extend global delivery
- Further develop our centre of excellence

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

By order of the Board



B N Tomlinson
Director
25 June 2020

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

Report of the directors

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

Future developments

Both the level of business during the year and financial position at the year-end were satisfactory. Noting the uncertainties caused by the COVID-19 pandemic, the directors are pleased to note that, at the time of this report, the pipeline for new business remains strong and the business has transitioned to an effective remote-working position. The directors expect the business to operate at a sustainable level for the foreseeable future.

Dividends

The directors have not recommended payment of a dividend for the year (2019: £nil).

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 RCUK 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 taken into account. The Company encourages open discussion on key business issues, policies and the working environment.

Directors

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

AJ Brown
GD Leeming
KA Powell
BN Tomlinson

Directors' Indemnity

The directors of the Company had the benefit of a qualifying indemnity provision throughout the financial year ended 31 March 2020 and the provision is currently in force.

Report of the directors (continued)

Streamlined energy and carbon report (SECR)

The directors are pleased to report for the first year the SECR for the Company. As the Company has maintained consumption and waste data for a number of years we are also reporting comparative year data.

The organisational boundary for the SECR is the UK operations of the Company but excluding the emissions relating to the Instrumentation business acquired in December 2019 as data collection for that business is being finalised. This omission is not expected to be material. We have measured our scope 1, 2 and certain scope 3 emissions following the 2019 UK Government environmental guidance and we have used 2019 and 2020 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	2020	2019
Scope 1 (direct emissions tCO₂e)		
Gas consumption	215	222
Owned transport	14	12
Scope 2 (indirect emissions tCO₂e)		
Emissions from purchased electricity	511	586
Total gross Scope 1 & 2 emissions (tCO₂e)		
	740	820
<i>Energy consumption used to calculate above emissions (kWh)</i>	2,672	2,776
<i>Intensity ratio: tCO₂e (gross Scope 1 & 2) / £m revenue</i>	25.5	30.0
Scope 3 (other indirect emissions tCO₂e)		
Purchased goods & services (paper usage and water supply only)	5	6
Fuel and energy-related activities not included in Scopes 1 & 2	68	71
Waste generated in process operations including: wood, food, metal, WEEE, glass, and waste water treatment only	1,001	1,013
Business travel (flights and train journeys only)	259	276
Total gross Scope 3 emissions (tCO₂e)	1,333	1,366
Total annual gross tCO₂e based on above	2,073	2,186

Emissions have reduced both in total and in intensity due to a range of actions taken across the business. In particular, following the investment in new gas boilers across Howbery Park in 2017 we have continued to review heating schedules and temperature set points to achieve optimum performance – with a particular focus on national holiday periods. We submitted our Energy Audit Report to the Environment Agency in November 2019 in compliance with the Energy Savings Opportunity Scheme Phase 2 and this will inform our continuing activity to reduce consumption and emissions.

Report of the directors (continued)

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 26 September 2019.

By order of the Board



B N Tomlinson
Director
25 June 2020
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 elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2020 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.

Emphasis of matter – Investment property valuation

We draw attention to the disclosures made in the accounting policies on page 21 in respect of revaluation of investment properties, which are held at Directors' valuation of £11.14m (2019 £10.7m). As indicated on page 21, considerable potential volatility exists in the valuation due to the unprecedented set of circumstances in the economic environment caused by the outbreak of COVID-19. The directors are unable to predict the full extent of the impact with regards to the carrying value of the investment property. Consequently, less certainty and a higher degree of caution should be attached to the valuation of the investment property at 31 March 2020. The ultimate outcome of the matter cannot presently be determined, and no adjustments to the value of the investment property that may result have been made in the financial statements. Our opinion is not modified in respect of this matter.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 9, 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.

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 (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor, One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

Date **30 July 2020**

Income statement

		2020	2019
	Note	£000	£000
Turnover	1	28,488	25,505
Operating expenses	2	(28,324)	(25,497)
Other operating income	3	<u>2,365</u>	<u>2,371</u>
Operating profit before revaluation of investment properties		<u>2,529</u>	<u>2,379</u>
Gain on revaluation of investment properties		480	60
Operating profit	4	<u>3,009</u>	<u>2,439</u>
Net gain on financial liabilities at fair value through profit and loss		38	53
Interest payable and similar expenses	7	(106)	(111)
Profit before taxation		<u>2,941</u>	<u>2,381</u>
Tax on profit	8	(63)	(111)
Profit for the financial year		<u>2,878</u>	<u>2,270</u>

The notes on pages 17-32 form an integral part of the financial statements.

Statement of comprehensive income

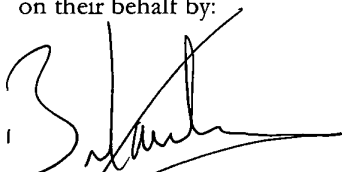
		2020	2019
	Note	£000	£000
Profit for the financial year		2,878	2,270
Re-measurement loss in respect of defined benefit pension scheme	17	<u>(365)</u>	<u>(1,610)</u>
Total other comprehensive loss		<u>(365)</u>	<u>(1,610)</u>
Total comprehensive income for the financial year		<u>2,513</u>	<u>660</u>

The notes on pages 17-32 form an integral part of the financial statements.

Statement of financial position

		2020	2019
	Note	£000	£000
Fixed assets			
Property, plant and equipment	9	25,678	25,247
Investments	10	330	330
		<u>26,008</u>	<u>25,577</u>
Current assets			
Stocks	11	312	203
Debtors	12	15,875	12,728
Cash at bank and in hand	13	3,356	4,736
		<u>19,543</u>	<u>17,667</u>
Creditors: amounts falling due within one year	14	<u>(8,656)</u>	<u>(7,864)</u>
Net current assets		<u>10,887</u>	<u>9,803</u>
Total assets less current liabilities		36,895	35,380
Creditors: amounts falling due after more than one year	15	<u>(958)</u>	<u>(1,171)</u>
Net assets excluding pension liability		35,937	34,209
Defined benefit pension scheme liability	17	<u>(2,556)</u>	<u>(2,318)</u>
Net assets		<u>33,381</u>	<u>31,891</u>
Capital and reserves			
Called-up share capital	20	500	500
Share premium account	21	5,573	5,573
Profit and loss account		<u>27,308</u>	<u>25,818</u>
Total equity		<u>33,381</u>	<u>31,891</u>

The notes on pages 17 to 32 form an integral part of the financial statements. These financial statements on pages 13 to 32 were approved by the directors and authorised for issue on 25 June 2020 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 2018	<u>500</u>	<u>5,573</u>	<u>25,315</u>	<u>31,388</u>
Profit for the financial year	-	-	2,270	2,270
Re-measurement loss in respect of defined benefit pension scheme	-	-	(1,610)	(1,610)
Total comprehensive profit for the financial year	-	-	<u>660</u>	<u>660</u>
Gift aid payment to parent company	-	-	(157)	(157)
Transactions with owners, recorded directly in equity	-	-	(157)	(157)
At 31 March 2019	<u>500</u>	<u>5,573</u>	<u>25,818</u>	<u>31,891</u>
Profit for the financial year	-	-	2,878	2,878
Re-measurement loss in respect of defined benefit pension scheme	-	-	(365)	(365)
Total comprehensive profit for the financial year	-	-	<u>2,513</u>	<u>2,513</u>
Gift aid payment to parent company	-	-	(1,023)	(1,023)
Transactions with owners, recorded directly in equity	-	-	(1,023)	(1,023)
At 31 March 2020	<u>500</u>	<u>5,573</u>	<u>27,308</u>	<u>33,381</u>

The notes on pages 17-32 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 HR Wallingford Group Limited group 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 group's personal pension plan are charged to the profit and loss account as incurred.

The Company is a participating employer in the HR Wallingford Group Limited funded defined benefit pension scheme which was closed to future accrual of benefits at 31 March 2014. The funds and liabilities of the defined benefit scheme are valued every three years by a professionally qualified independent actuary. The last actuarial valuation of the scheme took place as at 31 March 2019. In the intervening years the actuary reviews the continuing appropriateness of the rates. The assets of the scheme are held separately from those of the Group 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. The pension scheme deficit is recognised in full on the balance sheet.

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 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.

Derivative financial instruments

The Company uses interest rate swaps to manage interest rate exposures. Interest differentials are recognised by accruing inclusive of net interest payable. Interest rate swaps are revalued to fair value and shown on the Company's balance sheet at the year end. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

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.

Principal accounting policies (continued)

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.

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 2020 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. Further, the valuer has included a “material valuation uncertainty” note (as per VPS3 and VPGA 10 of the RICS Red Book Global) in the valuation report. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. The valuation report highlights that the material uncertainty clause is a disclosure, not a disclaimer. The key assumptions used to determine the fair value of investment property are further explained in note 9.

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 activity of the Company. An analysis of turnover is given below:

	2020 £000	2019 £000
United Kingdom	7,913	6,224
Asia	8,266	7,242
Europe	6,559	6,762
Rest of world	5,750	5,277
	<u>28,488</u>	<u>25,505</u>

2 Operating expenses

	2020 £000	2019 £000
Raw materials and consumables	9,844	7,394
Staff costs	12,836	12,484
Depreciation	926	937
Other operating expenses	4,718	4,682
	<u>28,324</u>	<u>25,497</u>

3 Other operating income

	2020 £000	2019 £000
Rent receivable and catering income	<u>2,365</u>	<u>2,371</u>

4 Operating profit

Operating profit is stated after charging:

	2020 £000	2019 £000
Research and development expenditure written off	342	284
Depreciation of owned fixed assets	926	937
Foreign exchange loss	41	69
Services provided by the Company's auditor:		
Fees payable for the audit	<u>27</u>	<u>36</u>

Fees payable to the Company's auditor for non-statutory audit services were £13,000 (2019: £ nil).

Notes to the financial statements (continued)

5 Particulars of employees

The average monthly number of staff employed by the Company during the financial year amounted to:

	2020 Number	2019 Number
Number of technical staff	221	217
Number of administration staff	15	13
	<u>236</u>	<u>230</u>

The aggregate payroll costs of the above were:

	2020 £000	2019 £000
Wages and salaries	10,411	10,060
Social security costs	1,125	1,105
Other pension costs	1,300	1,319
	<u>12,836</u>	<u>12,484</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:

	2020 £000	2019 £000
Emoluments	593	572
Pension contributions to defined contribution pension plan	76	72
	<u>669</u>	<u>644</u>
Emoluments of highest paid director:	2020 £000	2019 £000
Emoluments	194	190
Pension contributions to defined benefit contribution plan	26	25
	<u>220</u>	<u>215</u>

The number of directors to whom retirement benefits are accruing under the defined contribution scheme was 4 (2019: 4).

Notes to the financial statements (continued)

7 Interest payable and similar expenses

	2020 £000	2019 £000
Interest receivable	26	20
Interest payable on bank borrowing	(78)	(105)
Finance charge on defined benefit pension scheme (see note 17)	(54)	(26)
	<u>(106)</u>	<u>(111)</u>

8 Tax on profit

	2020 £000	2019 £000
Current tax on income for the year		
UK corporation tax	92	170
	<u>92</u>	<u>170</u>
Adjustments in respect of prior years:		
UK corporation tax	(29)	(59)
Total current tax	<u>63</u>	<u>111</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 £1,500,000 (2019: £1,000,000) to be paid to its parent company before 31 December 2020.

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 £598,000 (2019: £386,000) 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:

	2020 £000	2019 £000
Profit before tax	<u>2,941</u>	<u>2,381</u>
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	559	452
Effects of:		
Fixed asset differences	108	113
Deduction for gift aid paid in following financial year	(285)	(190)
Expenses not deductible for tax purposes	1	23
Income not taxable for tax purposes	(237)	(130)
Additional deduction for R&D tax expenditure	-	(1)
Chargeable gains	91	11
Adjustments to tax charge in respect of previous periods	(29)	(59)
Deferred tax not recognised	<u>(145)</u>	<u>(108)</u>
Total tax charge for the period	<u>63</u>	<u>111</u>

At the budget on 11 March 2020, the Government announced that the main UK corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%.

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	Total £000
Cost or valuation						
At 1 April 2019	10,660	19,912	3,780	717	1,383	36,452
Other additions	-	8	56	23	790	877
Revaluation	480	-	-	-	-	480
At 31 March 2020	11,140	19,920	3,836	740	2,173	37,809
Depreciation						
At 1 April 2019	-	7,199	2,492	416	1,098	11,205
Charge for the year	-	380	290	48	208	926
At 31 March 2020	-	7,579	2,782	464	1,306	12,131
Net book value						
At 31 March 2020	11,140	12,341	1,054	276	867	25,678
At 31 March 2019	10,660	12,713	1,288	301	285	25,247

Investment properties were revalued on 31 March 2020 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 2020.

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	(2,829)
Carrying value at 31 March 2020 on historical cost basis	3,836

Notes to the financial statements (continued)

10 Investments

Shares in subsidiary undertakings £000

Cost and net book value

At 31 March 2020 and at 31 March 2019 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 Instrumentation Ltd	Howbery Park, Wallingford, Oxfordshire OX10 8BA	Manufacture of instruments

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

	2020 £000	2019 £000
Raw materials and consumables	312	-
Finished goods	-	203
	<u>312</u>	<u>203</u>

12 Debtors

	2020 £000	2019 £000
Trade debtors	6,021	4,935
Amounts owed by group undertakings	3,934	3,011
Corporation tax recoverable	706	410
Other debtors	18	-
Prepayments and accrued income	5,196	4,372
	<u>15,875</u>	<u>12,728</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

	2020 £000	2019 £000
Cash at bank and in hand	<u>3,356</u>	<u>4,736</u>

14 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Secured bank loans	215	215
Trade creditors	1,506	622
Amounts owed to group undertakings	11	-
Derivative financial instruments	-	38
Taxation and social security	387	499
Other creditors	10	3
Accruals and deferred income	<u>6,527</u>	<u>6,487</u>
	<u>8,656</u>	<u>7,864</u>

15 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Secured bank loans	<u>958</u>	<u>1,171</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 £220k (2019: £310k).

Bank borrowings mature annually at £215k per annum from 31 March 2020 until 31 March 2024 then £150k to May 2024, (2019: £215k per annum from 31 March 2019 until 31 March 2024 then £150k to May 2024) bear average variable-rate coupons of 2.1% above the bank's base rate (2019: 2.2% 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:	2020 £000	2019 £000
Fixed asset timing differences	(1,375)	(1,085)
Short term timing differences	514	33
Capital gains	(237)	(130)
Losses and other deductions	4	5
	<u>(1,094)</u>	<u>(1,177)</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 £1,300,000 (2019: £1,226,000).

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 £0.2m over the period ended 31 March 2020 in respect of payments to repair the funding deficit and the Company is expected to make deficit recovery payments totalling £0.5m over the next year. Following the High Court ruling on 26 October 2018 relating to GMPs, a prior service cost of £92,000 was recognised in the prior year and was included in the liabilities at 31 March 2019 to reflect the estimated impact of GMP equalisation for the Scheme.

The principal assumptions used by the actuary were:

Assumptions at 31 March	2020	2019
Interest rate for discounting liabilities	2.35%	2.40%
Retail Price Inflation	2.60%	3.25%
Consumer Price Inflation	1.90%	2.25%
Pension increases pre April 1997	1.90%	2.25%
Pension increases post April 1997	1.90%	2.25%
Mortality:		
Non-pensioner mortality	S2PA tables; year of birth with future improvements in line with CMI 2019	SAPS S2 year of birth with future improvements in line with CMI 2018
Pensioner mortality	S2PA tables; year of birth with future improvements in line with CMI 2019	SAPS S2 year of birth with future improvements in line with CMI 2018
Life expectancy (years):		
Current pensioner aged 65 (male)	21.6	21.8
Current pensioner aged 65 (female)	23.5	23.6
Future pensioner aged 65 in 20 years (male)	22.9	23.1
Future pensioner aged 65 in 20 years (female)	25.1	25.2

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)

The amounts recognised in the balance sheet are as follows:

	2020 £000	2019 £000
Fair value of scheme assets	90,442	94,272
Present value of scheme liabilities	(92,998)	(96,590)
Deficit	<u>(2,556)</u>	<u>(2,318)</u>

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

	2020 £000	2019 £000
Operating cost		
Past service cost	-	92
Administration expenses	376	307
Subtotal for operating cost	<u>376</u>	<u>399</u>
Interest income on assets	(2,232)	(2,381)
Interest cost on defined benefit obligations	2,286	2,407
Subtotal for finance cost	<u>54</u>	<u>26</u>
Total pension cost	<u>430</u>	<u>425</u>

	Assets £000	Liabilities £000	Total £000
At 1 April 2019	94,272	(96,590)	(2,318)
Benefits paid	(2,715)	2,715	-
Employer contributions	181	-	181
Interest income /(expenses)	2,232	(2,286)	(54)
Re-measurements included in other comprehensive income:			
- Actuarial gains	-	3,163	3,163
- Return on plan assets excluding interest income	(3,528)	-	(3,528)
At 31 March 2020	<u>90,442</u>	<u>(92,998)</u>	<u>(2,556)</u>

The actual return on assets over the year was £1,296,000 loss (2019: £4,054,000 gain).

Asset categories as at 31 March

	2020 £000	2019 £000
Equities	24,156	28,924
Bonds	65,916	64,416
Cash	370	932
Total	<u>90,442</u>	<u>94,272</u>

Notes to the financial statements (continued)

17 Pension commitments (continued)

Sensitivity to assumptions

The liabilities at 31 March 2020 are £93.0m; 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%	-£1,484	+£1,520
RPI/CPI inflation increased/decreased by 0.1%	+£1,361	-£1,334

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 2020, these guarantees in relation to drawn balances totalled £3.9m (2019: £3.8m).

19 Related party transactions

Transactions between the Company and its related party, a fellow group undertaking (49% owned by the Company's ultimate parent company), HR Wallingford LLC are disclosed below:

	2020 £000	2019 £000
Sales of services in the year	277	-
Purchase of services in the year	570	-
Payments made on behalf of the party	422	161

20 Called up share capital

Allotted, called up and fully paid:

	2020		2019	
	Number	£000	Number	£000
Ordinary shares of £1 each	<u>500,000</u>	<u>500</u>	<u>500,000</u>	<u>500</u>

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 2020 was £5,573,000 (2019: £5,573,000).

Notes to the financial statements (continued)

21 Reserves (continued)

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 six 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:

	2020 £000	2019 £000
Not later than one year	1,212	1,380
After one year but not more than five years	3,229	1,240
After five years	7	6
	<u>4,448</u>	<u>2,627</u>

23 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2020 £000	2019 £000
Not later than one year	62	-
After one year but not more than five years	312	-
	<u>374</u>	<u>-</u>

During the year £6k was recognised as an expense in the profit and loss account in respect of operating leases (2019: £nil).

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.