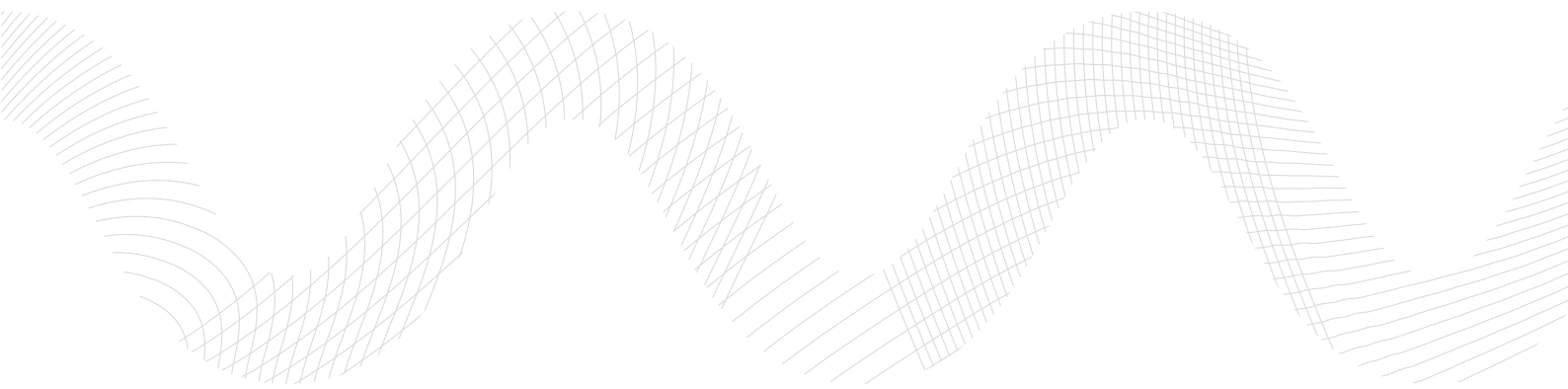


HR Wallingford Group

Annual report and financial statements

For the year ended 31 March 2024



HR Wallingford Group Limited

A company limited by guarantee

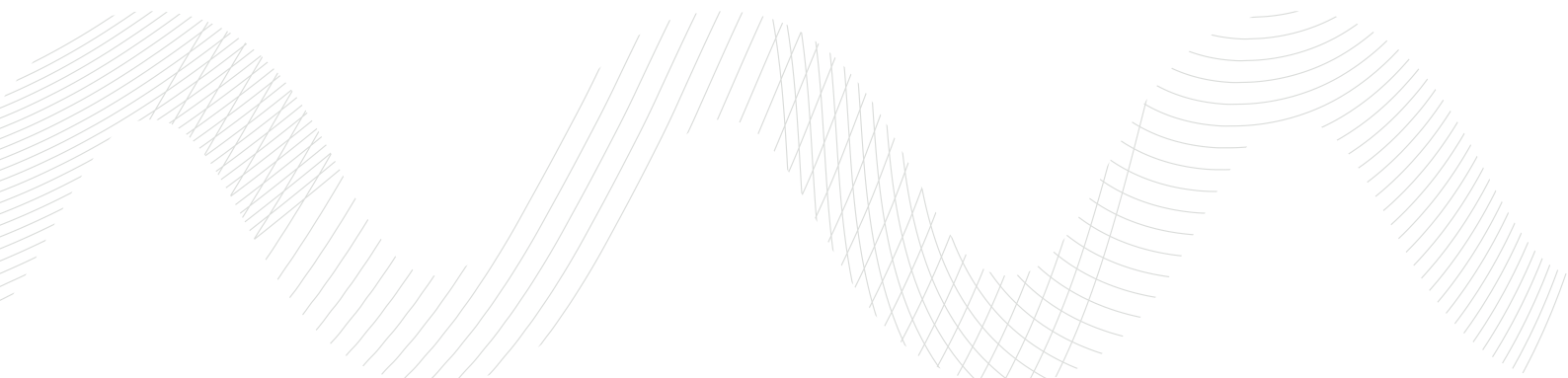
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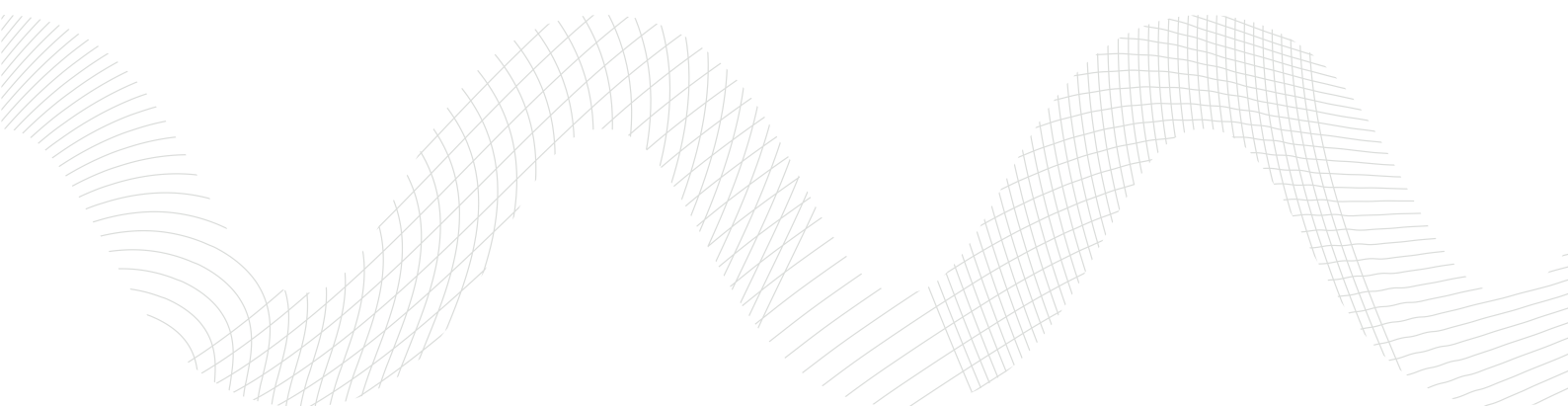
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Annual report and financial statements

for the year ended 31 March 2024

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Chair's introduction

Building on our position as global leaders and independent experts in how to live and work sustainably with water has remained the focus for HR Wallingford Group during a year of significant change and transformation.

It was a year of two halves for our financial performance. The first half of the year was challenging. While our order book was strong, at the end of Q2 we were significantly behind our budgeted trading position. Decisive action was taken, including a programme of cost control measures and a review of the timings of key investment decisions. This resulted in a steadily improving financial performance over the second half of the year.

Changes to export control regulations continued to cause challenges trading in China, particularly for the manufacturing area of our business, where revised legislation meant that we were unable to complete existing contracts. This was offset by a major multi-year project award for our specialist marine and hydrodynamic laboratory equipment for the Norwegian Centre for Ocean Technology, along with major contracts for a number of other international laboratory facilities.

I'm particularly proud of the way people across all areas of the business responded to the challenges that we all faced. They continued to deliver value and impact for our clients; they supported each other, and the senior leadership team, as we all worked together to transform the business.

At the end of the financial year, we reached the end of our current strategic cycle. We therefore worked through the second half of the year, with support and input from our people, to develop a framework for our new five-year strategy. Our new strategy has sustainability at its heart, in line with our purpose, which is 'to shape a future where people live and work sustainably with water'. To underpin our commitment to our purpose, we took the important step of signing up to the United Nations Global Compact (UNGC) in September 2023.

The outlook for HR Wallingford Group remains positive and exciting times lie ahead. We anticipate delivering real change over the next five years, for both our business, and our clients and partners. As Chair of HR Wallingford Group, I look forward to supporting the board as we work together to achieve these important goals.

Dr Alan Lowdon OBE
Chair, HR Wallingford Group
September 2024

Strategic report

The directors present their strategic report on the Group for the year ended 31 March 2024.

Principal activity

HR Wallingford Group Limited is limited by guarantee and does not have share capital. We are prohibited under our Memorandum of Association from making any distribution of profits and are exempt from paying Corporation Tax under Section 469 of the Corporation Taxes Act 2010.

Classified as a Scientific Research Association, we are a leading centre for water-related science, engineering and technology. We harness research, data insights and the power of our collective expertise to help the world better understand the changing influence and impact of water.

We have unique capabilities in science, technology and engineering. We work globally with infrastructure developers and operators, research bodies, governing authorities and decision makers at all levels.

Board updates

During the period there were a number of changes to HR Wallingford Group board.

Non-executive directors

Chair, Sally Howes stepped down and was replaced by Ian Davies who also stepped down in May 2024 having served on the board since 2019.

Serving non-executive director Alan Lowdon was appointed as interim Chair in May 2024, and Christopher Wood joined the board as non-executive director and Audit Committee chair in June 2024.

Executive directors

As the board began to focus on the new five-year company strategy, Chief Executive Dr Bruce Tomlinson stepped down on 31 October 2023.

Ridha Bentiba, Operations Director, and Andrew Brown, Business Development Director, were appointed Joint Acting Chief Executive Officers effective 1 August 2024.

Edward Warwick joined the board as Chief Financial Officer in August 2024 following Dougal Freeman's resignation in 2023.

We are confident that these changes to our board will result in a cohesive team that share a vision for the future of HR Wallingford Group.



Strategy

Our purpose is to shape a future where everyone lives and works sustainably with water.

During the year we concluded our previous strategic cycle and have developed an renewed overarching strategy across all areas of our operation for the next five years.

Our 2024-2029 strategy reflects the global drive to take urgent action on climate change, and puts the focus on accelerating our efforts across the following key areas:



Growth and resilience

Financial sustainability is key, and growth means we can increase investment in innovation, technology and facilities to deliver positive impact for our clients, reward our people, and meet our regulatory requirements.



Markets

We will grow our influence in all sectors where we can deliver sustainable solutions for our clients, and refocus our portfolio of services so we can grow our business as we continue to transition away from some legacy markets. We will increasingly align the work we do with the UN SDGs. We will explore opportunities for new offices and facilities in key geographic locations.



Research and innovation

We will lead innovation to transform how we live and work with water. We'll make a difference with breakthrough and incremental innovation, as well as with innovation in our everyday work and business practices. We will also fund external research where it adds value. We will align our research and innovation with the needs of the sectors we work in, and with the UN's SDGs.

While our strategy sets out our priorities for the next five years, we will remain open to other opportunities that may emerge over this period, where there is alignment with our purpose and strategic ambitions.

We have signed up to the United Nations Global Compact, and we are committed to integrating the UN Sustainable Development Goals (SDGs) into every aspect of our business: consultancy, research, software, manufacturing; and our property business, Howbery Park.



People

Attracting and retaining the very best people across our business is essential, so we need to ensure that working at HR Wallingford is a fulfilling and positive experience for everyone. We will create a dynamic and proactive environment, where everyone has access to continuous learning and professional development. We will foster a culture where innovation flourishes, collaboration is key, and our leaders inspire. We want our people to be engaged, motivated and proud of the impact we can deliver together.



Development

We will focus on building facilities for the future. We will enhance our facilities across the globe to meeting future market needs, and continue to develop Howbery Park as a global centre for water-related science, engineering and technology.



Operational sustainability

We will ensure that we interact with people, the environment and the planet's resources responsibly, embedding sustainable practices and principles across all areas of our business. For example, we will ensure that we reduce our own carbon footprint, in line with a validated net-zero roadmap, become more climate change resilient, and manage water use and waste across all our global sites.

Business review

Results to 31 March 2024 continue to be impacted by the exceptional external influences felt in the prior year.

Group turnover increased to £31.7m (2023: £31.3m), with growth in the UK, Europe and Rest of World offsetting year-on-year reductions in Asia. The Group generated an underlying operating profit of £0.2m (2023: £2.2m loss), with a more marked recovery in the second half of the year. This profit was after foreign exchange losses of £0.8m (2023: £0.1m gain) and non-recurring costs of £0.3m (2023: £3.2m cost) mainly relating to continued impacts from prior year historic business rates resolution and equipment contract losses. An unrealised loss on the revaluation of investment properties of £1.7m (2023: £0.2m loss) resulted in an operating loss for the year of £1.5m (2023: £2.4m loss). After net finance income and tax costs, the overall loss for the year was £1.8m (2023: £2.7m loss).

Within operating costs, total research activity amounted to £2.6m, remaining approximately the same year-on-year (2023: £2.6m). Research activity funded entirely by the Group was £1.7m (2023: £1.7m).

Net assets decreased by £3.3m to £32.1m (2023: £35.4m). Property, Plant and Equipment reduced by £2.3m to £24.2m (2023: £26.6m) following the investment property revaluation. Creditors due within one year reduced by £3.0m to £10.7m (2023: £13.8m) after an increase at the end of the prior year. The deficit on the Group's defined benefit pension scheme increased by £1.4m to £1.6m (2023: £0.2m deficit), with investment returns lower than the discount unwind on the scheme liabilities. Cash reduced by £2.8m in the year to £4.5m (2023: £7.3m) as a result of the above net asset movements and the operating loss. The Group cash balance improved to £14.4m at 27 September 2024, including £6.9m advance customer receipts. The Group balance sheet remains robust.

▼ Fire and rescue services used our facilities to train to save lives during floods.



Consultancy

After a slow start to the year, trading performance improved significantly in the second half due to increased workload, cost control measures and contributions from our overseas operations (particularly Australia and the US).

During the year we worked on more than 780 projects in 60 countries. While the majority of our work is delivered from our operations in the UK, this year saw growth in our local delivery capabilities, particularly in the Middle East and Australia.

Examples of key project highlights follow.

We contributed to Harwich Haven Authority's major channel deepening project, which will improve access for the world's largest container ships. To underpin the Environmental Impact Assessment, we modelled the effects of the deepening on flows, waves, sediment, long-term estuary response, the effects of these changes on the local shoreline and the possible effects of sediment plumes from the dredging.

Our modelling expertise also supported the Westport Program develop the best design for its new container port in Kwinana, Western Australia. The preferred option for the new container terminal was chosen for best practices in terms of new technology, sustainability and efficiency. We designed the ship navigation manoeuvring areas, and the breakwater layout. To do this we conducted wave modelling, ship navigation studies, ship mooring analysis and port capacity modelling.

Our Fast Flow Facility continues to support the development of wind power, for both

fixed and floating. Recently, we designed the innovative scour protection for the foundations of supersized monopiles for Coastal Virginia Offshore Wind, so that they last for decades and withstand hurricane force conditions. When fully constructed in 2026, Coastal Virginia Offshore Wind will deliver 2.6 GW and consist of 176 turbines and three offshore substations, making it the biggest offshore wind farm to date in the US.

We conducted a series of specialised studies as part of the integrated contract for the design and construction of the new breakwater of the Port of Genoa, including the creation of several complex 2D and 3D physical models in our laboratories. The models aimed to verify both the stability, the overflow volumes, and the loads from the waves on the structures. In addition, a manoeuvrability study was completed in one of our real-time navigation simulators. The project is one of the largest port developments in recent years in the EU.

Our modelling hall is typically used to investigate physical models of coastal engineering schemes, but in summer 2023 we helped test Airlander, an ultra-low emissions aircraft that operates without runways or airports. Airlander can take off and land on water, so we tested the landing gear in various wave conditions. The tests measured pressures in the inflatable landing gear and the periods of vibration, which will guide follow-on work for the aircraft certification programme.

Our physical modelling facilities are also available to support local communities. We welcomed Berkshire Fire & Rescue Services for the first time, in addition to Oxfordshire Fire & Rescue Service, to train to save lives during floods in the safe space that our labs provide.

We are conducting a study for the World Bank to assess how water levels in the Caspian Sea are likely to change under a range of future climate change scenarios and how this will affect the Port of Aktau in Kazakhstan. The assessment of future Caspian Sea water levels will be used, together with a hydrodynamic model, to help to develop a range of adaptation options for the port where water levels have been decreasing.

During the year we worked with the government of St Kitts and Nevis (with the support of the Climate Technology Centre and Network) to design and implement an operational drought forecasting system. The system is now helping national officers from St Kitts and Nevis to identify areas most susceptible to water

supply variability and shortages, and therefore to take early action to manage these risks.

Storm overflows occur when a sewerage network is at risk of being overwhelmed, such as during heavy rainfall when a lot of water drains into the system in a short space of time. Southern Water, like other water companies, must assess the impact of these overflows. We have developed an audit tool to automate the verification of the hydraulic models that underpin this process. In addition, the use of the tool has been expanded to inform Southern Water's strategic growth studies, demonstrating the value it adds to their operations in the long term.

Investment in capabilities

To enhance our advanced numerical modelling capabilities, which underpin the advice we provide our clients, we invested in a new high performance computing (HPC) cluster. This has allowed us to produce more complex and higher resolution computational model simulations for existing clients and will support the access of new markets.

This year we completed the upgrade of the visuals technology used in our UK and Australia-based ship simulation centres, enhancing how we deliver our cutting-edge simulation and training. The work was carried out in collaboration with Unity Industry to provide a unique capability in market leading commercial simulation systems. We also worked in conjunction with the US Army Corps' Engineer Research and Development Center to further develop our simulation software.

Our physical modelling facilities are some of the largest and most comprehensive in the world. This year we continued with a programme of investment designed to ensure we have access to the latest technology, equipment and techniques, supporting delivery of leading-edge science and engineering for our clients.

HR Wallingford Coretec Ltd has been established subsequent to the year-end in order to support the growth of services requiring delivery within a cyber-secure accredited environment. Our specialist services from across consultancy, research or equipment can be executed within this subsidiary when required.

▼ This year we upgraded the visual technology we use in our Ship Simulation Centres

Research

We harness science to create new knowledge, and our reputation as people who can solve the difficult problems is well founded. We need to continue to innovate so that we can find sustainable solutions to the challenges facing the global community. Our research, development and innovation (RD&I) leads to improvements in how we deliver our services and how the industries in which we work operate.

As a S469 qualifying company, we reinvest our profits into a programme of qualifying research. We also pursue external funding for our research, for example through research councils, and where necessary we contribute additional funding. Across all our technical activities we also fund a programme of development and maintenance to ensure that our research and consultancy, the equipment we manufacture, and our software are leading edge.

To maximise the impact of our RD&I programme, we collaborate widely and fund research with partner organisations to support our strategic goals. We disseminate our research through publication, participation in conferences, working groups and committees of industrial organisations.

Looking ahead, we will further align our RD&I activity with the UN's Sustainable Development Goals (SDGs), with a focus on sectors where we see the largest need and potential for growth, and where we can build further capacity in the market sectors where we already have significant influence.

Examples of our research and innovation activities during the year follow.

We have been involved in ground-breaking tsunami research since 2008. In our latest research collaboration with UCL, we showed it was possible to create ever more realistic tsunami waves using a new 'dual generator' technique. Previously, tsunami simulators have only modelled the wave coming into shore, whereas the 'dual generator' enables the team to see the effects of the wave as it goes back towards the sea. Following this proof-of-concept testing, we plan to work with London South Bank University to create a digital twin of the dual generator.

For the Resilience and Innovation Northants project, we developed cutting-edge computer models to help build better understanding of the risk of flooding from multiple sources. Secondly, we created an innovative web-based mapping tool that provides a comprehensive view of flood risks across Harpers Brook and Wootton Brook catchments, which is helping with the delivery of its resilience measures and community engagement. Our multi-source models and collaborative web platforms will help build communities that are more resilient to flooding in the future.

We worked with the UK Centre for Ecology and Hydrology on an unprecedented rapid assessment of the environmental impacts of the Kakhovka Dam's breach that will support international action to restore a biodiversity hotspot. With the area in southern Ukraine in a warzone, the study combined hydrological and digital modelling with satellite imagery and a study of data on the region's ecology. This enabled the identification of protected habitats and species likely to be impacted by the breach, setting a precedent for early action in future conflicts. The study was commissioned by the Foreign, Commonwealth and Development Office.

We have been exploring the use of nature-based solutions in the Caribbean to help raise awareness of how the region can enhance sustainability and resilience. The Caribbean region is exposed to major risks from extreme weather: hurricanes, storm surges and floods. These are exacerbated by climate change, which affects the intensity, unpredictability and frequency of these events. Traditional engineering solutions used to protect communities can have a significant environmental impact, so in collaboration with King-Joseph Consulting, we analysed existing nature-based solutions and provided clear recommendations for their implementation in the Caribbean, identifying potential challenges and opportunities.

▼ Working in collaboration with UCL, we simulated tsunami waves using dual generators for the first time.

We have developed new methods that use satellite earth observation data to evaluate the impact of severe weather across India. The methods we developed on the Satellites for Impact and Vulnerability Assessment (SIVA) project are an important step to building new weather and climate services capable of forecasting and evaluating, not only the natural hazard itself, but the impact that the natural hazard will cause. These resultant services will allow key stakeholders to make informed decisions as to the most effective emergency management strategies for severe weather; they will contribute to national and local disaster risk reduction strategies; and will help to reduce the damage caused by high-impact weather. SIVA was funded by the Met Office Weather and Climate Science for Service Partnership India project, and was supported by the UK Government's Newton Fund.

▼ SIVA used satellite data to forecast and assess the impact extreme weather on, for example, agriculture across India.



We have been leading the development of new CIRIA guidance to explore how typical hard engineered coastal assets can be adapted to boost biodiversity and enhance ecosystems in the marine environment. Greening coastal infrastructure through eco-engineering aims to show the value and impact of eco-engineering, and the role it can play as part of a broader asset management strategy.

We collaborated with Bangor University to conduct the first tests forming part of novel research to support offshore wind to expand in a sustainable way. The results will be combined with research by other ECOWind-ACCELERATE project partners to evaluate how future wind turbine bases can have a positive impact on marine ecosystems.

We conducted internally funded research to better understand how the varying mixtures of sand and gravel on a beach influences natural coastal protection. We have run a series of lab tests that will be used to assess and improve the ability of beach morpho-dynamic models to predict how mixed sand-gravel beaches respond to stormy conditions, making it easier to effectively protect our coastlines.

Software

This was a challenging year for our software business which consequently underperformed. This was mainly caused by the change in the Autodesk business model to a highly controlled subscription based product offering, the removal of our exclusive reseller status in the markets in which we represent Autodesk, coupled with more difficult trading conditions experienced in the China market. The future outlook for the Autodesk reselling component of our software business remains uncertain, for the same reasons that affected performance this year.

As a result of this change in market position, we are in the process of realigning the focus of our software business to become a discrete operation founded on the generation of revenue from tools and IPR owned by HR Wallingford, as opposed to reselling software owned and developed by others.

A software business with a clear purpose and defined value propositions, that is ready to achieve growth, can clearly enhance our vision and purpose. HR Wallingford has much to offer global communities in terms of solutions to allow us to work more sustainably with water.

This process has started, with the successful design, development, testing and sale of our Sim-On Water software applications to clients globally. There is further significant potential to take ideas, code and IPR from across HR Wallingford's consultancy and research business to develop software products and applications commercially. There is already a significant (and increasing) amount of software development undertaken to support project delivery and much of this can be commercially enhanced to be sellable and achieve market potential.

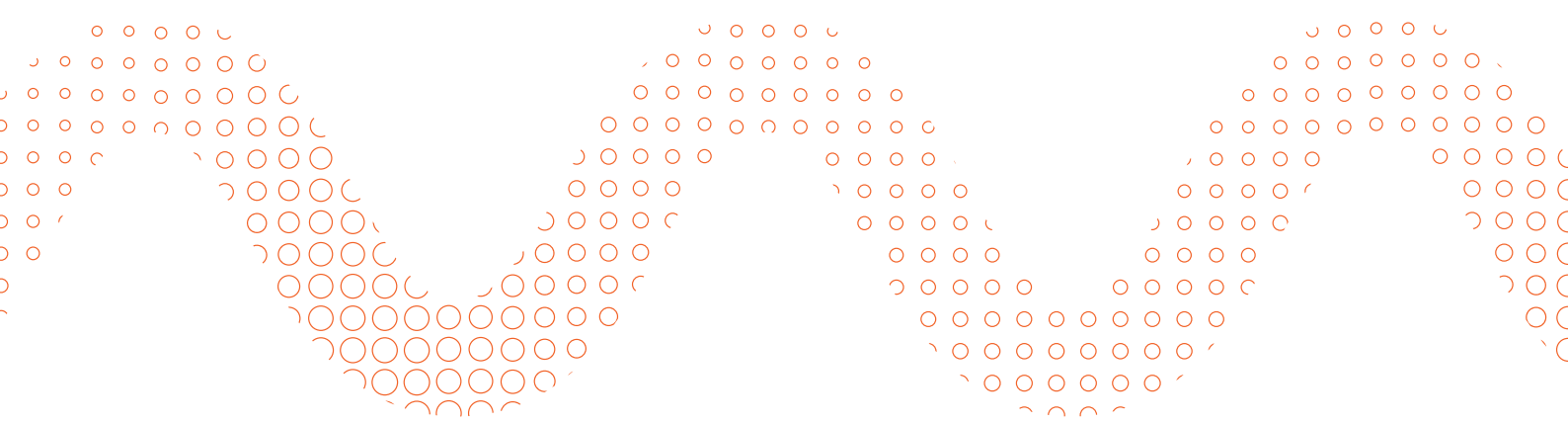
This change to our business has been partly implemented and has significant growth potential. Further reorganisation and realignment work is needed during FY25 for this operation to be fully established in line with the updated five-year company strategy.

Manufacturing

Our manufacturing business, Equipment, Technology and Innovation (ET&I), designs and makes specialist equipment and software for specialist marine, coastal and hydrodynamic research facilities around the world.

ET&I trading was significantly impacted during the year by continued China related export control matters. However, this was partly mitigated by a successful geographical diversification as well as securing a major project to design equipment for a sea keeping and manoeuvring basin for the Norwegian Centre for Ocean Technology, which will benefit ET&I performance in future years.

This huge basin will be part of the planned multi-building facility in Trondheim that aims to support Norwegian ocean industries becoming greener. To support research measurements, we will be supplying and commissioning the multi-motion carriage that sits over the basin. We will also be supplying and commissioning the wave generation system, along with a wave absorption system.



Property

Trading in our Howbery Park Estate business has been steady but modest during the past year. We operate the park with our sustainability goals in mind and this year we opened our events programme to the public as part of our public engagement commitment.

To support our new five-year strategic objectives, we will focus activities at Howbery Park on building facilities for the future. We will enhance our facilities to meeting future market needs, and continue to develop Howbery Park as a global centre for water-related science, engineering and technology.



Reimagining the Flood Re;
Flood Resilient Garden once
rehomed at Howbery Park.

This process has already included supporting the launch of the Be Flood Smart campaign in May 2023 at the BeFloodReady Property Flood Resilience (PFR) Centre, which was erected in our grounds the year previously. The Defra-funded Centre is the UK's first dedicated facility to deliver accredited training on the specification, installation and maintenance of PFR measures.

Howbery Park has also been chosen as the main site for the National Leakage Research and Test Centre, subject to planning approval. The mock-up of a District Meter Area in our grounds and in a neighbouring field will allow water companies and innovators to

develop and test new methods to find and repair leaks without risk. A consortium of HR Wallingford, Northumbrian Water, and WRc was awarded £5.3 million from the Ofwat Innovation fund two years ago to run the project

The Flood Re: Flood Resilient Garden that was on show at the 2024 Chelsea Flower Show is to be permanently rehomed at Howbery Park, subject to planning approval. We expect the Flood Resilient Garden to enhance our grounds further, and attract visitors who wish to enjoy and be inspired by it. The garden will also show how to bring sustainability to life, as well as aligning with HR Wallingford's work on sustainable urban drainage systems and flood resilience.

As well as continuing to provide conference and meeting facilities for site tenants and external companies, a HR Wallingford team hosted the Young Coastal Scientist and Engineers Conference (YCSEC) 2024 at Howbery. Delegates attended from the UK, Ireland, Germany, Estonia and USA. The two-day programme included 19 presentations and 13 poster presentations, covering a range of topics, such as: morpho-dynamic processes; physical modelling; extreme wave statistics; tropical cyclone hazards; and machine learning.



People

It's our people that make HR Wallingford special. By working together in a culture of positive challenge we motivate each other to develop the solutions that our clients and their communities need.

Our people innovate; they drive forward our research programme, build connections and opportunities for collaboration. Their insights help us identify opportunities in the market sectors in which we operate. That's why this year we've had greater input from our people as we've developed our strategy for the next five years; we know that they are fundamental to our continued success.

To make sure that everyone has a voice, we will continue to collaborate with our Staff Council – a group of employees elected to act as staff company members.

As part of the measures taken to reduce costs at the end of 2023, we made the difficult decision to reduce in overall headcount. To minimise compulsory redundancies, we offered voluntary redundancy and role adjustment options. Throughout this period, recruitment was targeted to areas of growth or where we needed additional talent to underpin our strategic ambitions.

The future of our business is dependent on providing our people with the learning and development that they want and need. We are committed to embedding professional growth into our culture.

We support our employees with a range of professional development and accreditation, from apprenticeships through to chartered and fellow membership of professional bodies. We are an affiliated research centre

(ARC) with the Open University; offering our people the opportunity to complete a PhD via research or publication.

Our culture is key to our future success and must ensure that our strategy and our culture combine to deliver our purpose. This year we commissioned a culture audit to give us insight into our shared beliefs, how these help and hinder us, plus how we might go about modifying our beliefs and behaviours to support the goals of the business. As we grow and evolve our business, it is vital that we simultaneously embed positive change.

As a company, we want to support causes that matter to our people. Each year we ask them to nominate two corporate charities, and we match the funds they raise throughout the year. This year our people raised £17k (including the matching funds contribution) for the Antony Nolan Trust and Autism Family Support Oxfordshire. This is the most raised in a single year since we began this initiative in 2017.

The mean gender pay gap, which represents the difference between men's and women's average earnings in the main UK operating subsidiary HR Wallingford Limited, was 25.5% on a mean basis (2023: 28.2%) and 28.3% on a median basis (2023: 27.6%). Whilst there was an improvement in the mean measure, the median basis measure widened. We continue to encourage and empower women in senior management and leadership roles, where the larger gender pay gaps currently exist, and seek to identify and address factors contributing to under representation at this level. This includes recruitment processes, development initiatives and flexible working arrangements.

We continue to offer the option of hybrid working for eligible roles across the Group. While many people appreciate the flexibility this brings, we are aware that it brings challenges, for example effective management, mentoring and support can be difficult with reduced face-to-face interaction. We will continue to monitor the effectiveness of hybrid working and listen to feedback to understand the ideal balance of home/office working for the business.

We are committed to improving the equality, diversity and inclusion experienced by our people. Our diversity and inclusion action plan follows the WISE ten steps framework - which includes gender balance in the workplace and achieving pay equity - and applies the National Centre for Diversity FREDIE principles.

The ratio of the Chief Executive Officer's remuneration to the representative percentile of UK full-time equivalent employee remuneration is presented in the table on the right.

Year ending 31 March	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024*	7.4	5.3	3.7
2023	7.4	5.0	3.8
2022	7.1	5.0	3.6
2021	6.8	4.7	3.3

* In order to present comparable data, remuneration of the Chief Executive Officer for the year to 31 March 2024 represents an annualised equivalent, with the role having been vacant for part of the year.



Principal risks and uncertainties

There are a range of risks and uncertainties facing the Group. The directors maintain a risk register that is designed to identify and evaluate risks proactively 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 Group's performance.

Market sector

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

Most 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 levels. 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.

Government policies

Some of the Group's commercial activities are exposed to changes in government policies in the markets in which we operate such as:

funding into our traditional areas of flood prevention, climate change and infrastructure activities including offshore wind and nuclear projects. UK Government export control changes or sanctions could impact existing projects as well as entire markets. Changes in policies could result in a significant impact to turnover and resultant profitability. Maintaining a diverse project (sector, geographic and client) portfolio is essential as well as having government points of contact and regularly reviewing our compliance process.

Cyber security

Cyber security is vital in protecting the Group's activities as well as increasingly being a requirement from clients. The financial, contractual and reputational risks are very significant. It is essential that we keep up with best practice in terms of protective tools/systems as well as training our people. To comply with cyber security accreditation requested from certain sectors/clients, we have created a new subsidiary (HR Wallingford Coretec Ltd) with Cyber Essential plus accreditation. We have also launched a cyber security and phishing eLearning module for all employees.

People

The Group's continued competitive and reputational success depends upon having sufficient people with appropriate skills. There is a risk that if the Group loses or fails to attract and retain personnel of the requisite calibre this could adversely impact the business. So, as well as ensuring our pay and benefits are competitive, we continue to invest in training and developing our people to the highest standards as well as increasing our focus on succession planning.

Reputation and client service

The Group has a unique culture which is embraced in our guiding principles and the attitude of our employees towards delivering leading edge research and innovation and consultancy and technology which maintains our reputation. Any project risks including design, management or communication errors can all threaten the reputation of the business which would seriously affect our future success. Therefore, we continually aim to improve our understanding of our client's working environment, their priorities, their needs and their expectations through training, mentoring, our quality management systems and our open and collaborative culture.

Pension scheme

The Group operates a defined benefit pension scheme which has closed to future accrual of benefits. Details are included in note 17. Under the triennial actuarial valuation performed as at 31 March 2022, the pension scheme was in deficit and the directors have agreed with the Trustees 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 position and assumptions on an annual basis. The scheme's next triennial valuation for funding purposes will be performed as at 31 March 2025.

Financial risk management objectives and policies

HR Wallingford Group's internal controls are designed to meet the Group'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. Key to all of this are financial records and systems that provide appropriate cost and revenue allocation.

The Group'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 directors take an active role in assessing the potential financial risks in all areas of the business. This is achieved through regular appraisal of the business environment, review of the monthly management accounts and the application of appropriate management controls across key business processes. The controls in place ensure that any financial risk is identified, and appropriate action taken. The Group pricing policy is reviewed regularly to ensure a sustainable financial position and appropriate credit risk is accepted.

Most of the Group's sales are in sterling. Where they are not, the Group considers hedging material non-sterling sales which give rise to foreign currency exposure. On 31 March 2024 there were no forward exchange 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 Group's members, with regards to employees, customers, the research community and other stakeholders.

They discuss with employees, customers, members, 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, compliance with law and in promoting the long-term success of the Group.

The narrative in this report highlights some of the measures and outcomes delivered as the directors have observed and delivered on these principles.

Key performance indicators (KPIs)

The directors are of the opinion that the appropriate KPIs are turnover, operating profit, research delivery, capital investment, headcount, and cash generation.

Non-financial indicators are also used by the Group as appropriate, for example client and employee feedback and safety statistics. The Group maintains a rolling five-year internal strategy – identifying objectives and themes to shape specific management plans. A new set of company KPIs has been developed mapped against our strategic pillars and aimed at driving forward the company strategy on the basis of people, environmental and economic metrics. The Board monitors progress against the strategy on a regular basis, adjusting future objectives at least annually in line with current circumstances.

On behalf of the Board

Andrew Brown
Director
27 September 2024

Report of the directors

The directors present their report and the audited financial statements of the Group for the year ended 31 March 2024.

Future developments

Despite challenging trading conditions during the year, the year and financial position at the year-end remained satisfactory. At the time of this report, trading and cash positions have improved, and the directors expect the business to operate at a sustainable level for the foreseeable future.

Research and development

The Group has a commitment to research and development to maintain and enhance product technology and retain a competitive position in the market. The Group 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

We are an equal opportunities employer and will continue to ensure that we offer career opportunities without discrimination. We give full consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group has continued the employment wherever possible of colleagues who become disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

Our policy is to provide employees with financial and other information about the business and ensure that their suggestions and views are considered. We encourage open discussion on governance, strategy, key business issues, policies and the working environment with representative bodies (such as the Staff Council). An anonymous annual survey is also used to assess the level of employee engagement and satisfaction and as an opportunity for employees to share further feedback. The survey was run in April 2024 and returned an engagement score of 7.7 (out of 10) a reduction of 0.2 from the previous survey. The directors have developed a detailed plan to address the feedback received from the survey.

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
- IR Davies*
Resigned 9 May 2024
- Dr S Howes OBE* (Chair)
Resigned 30 September 2023
- Dr A Lowdon OBE* (Interim Chair)
- J Ogundele*
- Dr BN Tomlinson (Chief Executive)
Resigned 31 October 2023
- DA Freeman
Resigned 6 September 2023
- CG Wood*
Appointed 1 June 2024
- EJR Warwick
Appointed 27 August 2024

* Non-executive

Brief biographies for the directors are set out on page 33.

Directors' indemnity

The Directors of the Group had the benefit of a qualifying indemnity provision throughout the financial year ended 31 March 2024 and the provision is currently in force. The Group has purchased and maintained directors' and officers' liability insurance during the year. However, this does not cover dishonest or fraudulent acts or omissions.

Streamlined energy and carbon report (SECR)

The directors are pleased to report for the sixth year the SECR for the Group.

The organisational boundary for the SECR is the UK operations of the Group (Howbery Park and Manchester). We have measured our scope 1, 2 and certain scope 3 emissions following the 2019 UK Government environmental guidance and we have used 2023 UK Government recommended conversion factors for calculating the reported emissions. The Group 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. The data has been calculated following the GHG Protocol methodology.

HR Wallingford has taken a financial control consolidated approach to GHG accounting. This decision was made due to the complexity of our property portfolio and means that all gas and electricity consumption on our business park, including that of our tenants, is included in our own scope 1 and 2 emissions. This also means that our other UK office in Manchester falls under the leased assets category of scope 3 as we do not own the property. This year we have changed the way we report this data in the SECR, the distinction can be seen in the data provided.

At the end of FY23, HR Wallingford transitioned to a Zero Carbon tariff for its electricity consumption both at Howbery Park and in Manchester. This has led to a swift decline

Green House Gas emissions and energy use
data for the year ending 31 March

	2024	2023
Scope 1 (direct emissions of tCO₂e)		
Gas consumption	152	204*
Owned transport	27	14
F gases	103	84
<i>Energy consumption used to calculate above emissions (000 kWh) (excludes F gases)</i>	935	1,173*
Scope 2 (indirect emissions tCO₂e)		
Location based electricity emissions	349	350*
Market-based electricity emissions	0	747*
<i>Energy consumption used to calculate above emissions (000 kWh)</i>	2,324	2,427*
Total gross Scope 1 & 2 emissions (tCO₂e) (using location-based Scope 2)	631	652
<i>Energy consumption for both Scope 1 & 2 (kWh)</i>	3,259	3,600*
<i>Intensity ratio: tCO₂e (gross Scope 1 & 2)/£m revenue</i>	20.9	21.2*
Scope 3 (other indirect emissions tCO₂e)		
UK leased assets (Manchester office gas and electricity (location-based))	19	19
<i>Energy consumption for the above Scope 3 element (000 kWh)</i>	102	102
Fuel and energy-related activities not included in Scopes 1 & 2	149	164*
Waste generated in process operations including: wood, food, metal, WEEE, glass and waste water treatment only	5**	4*
Business travel	338**	225
Commuting and working from home	248	322*
Total gross Scope 3 emissions (tCO₂e)	759	734*
Total gross tCO₂e for all scopes (using location-based Scope 2)	1,390	1,386*
<i>Total gross energy consumption for the UK (000k Wh)</i>	3,361	3,700

* amendment from 2023 SECR

** expanded scope from 2023 SECR

in market-based scope 2 emissions from 747tCO₂e to 0tCO₂e. We now aim to improve our location-based scope 2 emissions. The on-site solar park contributed over 640,000 kWh (28%) to our electricity consumption for this financial year, up from 26% in the previous year. Combined with our zero carbon tariff this means that approx. 1,886,000 kWh (56%) of our entire UK energy consumption came from renewable sources, a vast improvement on 711,000 kWh (19%) in FY23.

We continue to make energy efficiency improvements where practical and to continue with efficient maintenance practices. We replaced the aged electrical 11,000-volt transformer which supplies power to Red Kite House as well as the 11,000-volt switchgear which serves Froude/UK Ships and Kestrel House. This will improve the security of supply as well as energy efficiency. It is estimated that 917,000kWh and 252 tonnes of CO₂ reductions will be achieved from the new Ultra Low loss transformer over its 30 year lifetime.

A significant (100%) increase in diesel fuel consumption occurred in the period due to some bespoke flood response training provision for local fire and rescue services which required temporary diesel generators to power high performance water pumps. The fixed wired electrical system has since been modified to enable delivery of the required power demand without need for hired generators. This enhanced fixed power supply can also be used for other high power demand operations when required.

Business travel emissions have been expanded in scope for this financial year so that it now includes emissions data from:

- Flights booked centrally
- Employee driven mileage expensed through the financial system
- Taxis and trains booked centrally (new)
- Taxis, trains and buses booked individually and then expensed through the financial system (new)
- Hotel stays (new).

Hotel stays is an optional disclosure in the GHG Protocol that we have calculated for the first time this financial year. We have decided to include business travel data in our SECR despite the fact that it has not been allocated to the UK and instead covers global travel. This is because business travel is one of the most important categories for smaller business to consider and is much more actionable than other Scope 3 contributions (e.g. supply chain). In addition to this, we have also included the results of our commuting and working from home surveys for FY23 and FY24 in this year's SECR.

To further complete our supply chain emissions estimates, we have moved to a spend-based methodology for the majority of our supply. This has drastically increased the scope of this category and its estimated emissions, however it is currently not possible to allocate which of these emissions are relevant specifically to the UK and so for now this data has been omitted. There are some elements of supply chain where we have full coverage from activity-based data (e.g. concrete, aggregate and wood consumption). Where we have complete coverage of a material supply through activity-based data sources then we exclude the relevant suppliers from our spend-based estimates so as to keep

the highest levels of accuracy where possible. Further information will be accessible in our Sustainability Report for this financial year, which details our emissions at Group level.

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.

Disclosure of information to auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's Auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors 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 October 2023.

On behalf of the Board

Ridha Bentiba
Director
27 September 2024

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 Group and the Parent Company and of the profit or loss of the Group for that period. In preparing those 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Board of directors



Ridha Bentiba

Ridha joined HR Wallingford in 2002 as a graduate engineer. Between 2002 and 2020, Ridha has held various positions at HR Wallingford up to senior management. During that time, Ridha developed his experience in marine engineering and science in the United Kingdom and the Middle East. His expertise covers the planning, studies, design and the project management of maritime and coastal projects including ports, waterfront developments, coastal protection, marine terminals and industrial water systems. In November 2020, Ridha was appointed as the Group Board Executive Director responsible for HR Wallingford's consultancy, research and innovation, and manufacturing operations.



Andrew Brown

Andy originally joined HR Wallingford in 1986 as a graduate engineer and has had a career spanning more than 30 years in the specialist hydraulic consulting and software industry. During the period 1990 to 2008 Andy was based overseas, ultimately taking responsibility for the Group's commercial operations in Asia. When the Group sold Wallingford Software in 2009, Andy left as part of the senior management team of that business unit. He re-joined HR Wallingford as Director of Flood and Water Management in 2013. Since 2014, Andy has been the Group Board Executive Director responsible for HR Wallingford's business development activities.



Dr Alan Lowdon OBE

Alan was appointed a non-executive director in April 2022, and Chair in May 2024. He has over 30 years' experience of the international energy and utilities sectors where he has focused on research, development, IP creation, commercialisation, consultancy and knowledge transfer. Alan has worked for large corporations such as British Gas, Shell, Suez, Mott MacDonald and Jacobs, as well as leading university start-ups and strategic business units of research & development organizations, including as Director of Technology & Innovation for the UK's National Renewable Energy Centre. Alan holds a PhD degree in Applied/Engineering Mathematics, plus an MBA from Durham University Business School. He is also a Chartered Mechanical Engineer and a Fellow of the Institution of Mechanical Engineers. In 2022, Alan was awarded an OBE for: 'Services to UK-US Offshore Wind Collaboration'.



Janet Ogundele

Janet joined us as a non-executive director in July 2019. She has spent most of her career working for blue chip companies, holding senior human resource positions with companies such as WPP, Millward Brown, Volkswagen Financial Services and Universal Pictures. She now works as an independent human resources consultant, helping small to medium size businesses achieve their next stage of growth.



Edward Warwick

Ed joined as Chief Financial Officer in August 2024. Before joining HR Wallingford, Ed was Finance Director of the Group Functions at publisher Oxford University Press, with responsibility for the global financials of technology, supply chain, estates and other operations functions plus HR, finance and legal areas. Prior to that he held a number of senior finance roles, including Group Financial Controller and Divisional Finance Director, at FTSE listed RM plc, the education product and service provider. Ed qualified with PwC in London, working in financial services audit and is a Fellow of the Institute of Chartered Accountants in England and Wales.



Christopher Wood

Chris joined the Board in June 2024 as a non-executive Director. Chris has worked in finance and leadership roles for a wide range of public, private and not-for-profit organisations both in the UK and internationally. He currently acts as the Bursar and a Fellow of St Hilda's College, Oxford University. Previously, as CEO and managing director, Chris led firms operating in the vocational education and corporate clothing sectors.

Chris also acts in a non-executive capacity for several public and private organisations, including the House of Lords, the Foreign, Commonwealth & Development Office, and the Valuation Office Agency. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Chartered Marketer.

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

Opinion

We have audited the financial statements of HR Wallingford Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the Group income statement, Group statement of comprehensive income, Group statement of financial position, Company statement of financial position, Group statement of cash flows, Group and Company 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 group's and of the parent company's affairs as at 31 March 2024 and of the group's loss 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 32, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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 group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are 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 Group continues to make pension contributions in line with the agreed contribution schedule.

The group 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.

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

01 October 2024

Group income statement

	Note	2024 £000	2023 £000
Turnover	1	31,673	31,294
Other operating expenses	2	(34,291)	(35,977)
Other operating income	3	2,808	2,460
Operating profit/(loss) before revaluation of investment properties		190	(2,223)
Loss on revaluation of investment properties	9	(1,670)	(180)
Operating loss	4	(1,480)	(2,403)
Finance income and costs	7	139	(22)
Loss before taxation		(1,341)	(2,425)
Tax on loss	8	(465)	(294)
Loss for the financial year		(1,806)	(2,719)

The notes on pages 46-69 form an integral part of the financial statements.

The company has taken advantage of Section 408 of the Companies Act 2006 not to publish its own profit and loss account.

Group statement of comprehensive income

	Note	2024 £000	2023 £000
Loss for the financial year		(1,806)	(2,719)
Other comprehensive income:			
Loss in respect of defined benefit pension scheme	17	(1,427)	(902)
Exchange differences on retranslation of subsidiary undertakings		(50)	(145)
Total other comprehensive loss		(1,477)	(1,047)
Total comprehensive loss for the year		(3,283)	(3,766)

The notes on pages 46-69 form an integral part of the financial statements.

Group statement of financial position

	Note	2024 £000	2023 £000
Fixed assets			
Property, plant and equipment	9	24,236	26,568
Current assets			
Stocks	11	1,067	965
Debtors: amounts falling due within one year	12	14,872	14,839
Cash at bank and in hand	13	4,523	7,291
		<u>20,462</u>	<u>23,095</u>
Creditors: amounts falling due within one year	14	(10,733)	(13,750)
		<u>9,729</u>	<u>9,345</u>
Net current assets			
Total assets less current liabilities		33,965	35,913
Creditors: amounts falling due after more than one year	15	(218)	(319)
		<u>33,747</u>	<u>35,594</u>
Net assets excluding pension liability			
Defined benefit pension scheme liability	17	(1,613)	(177)
		<u>32,134</u>	<u>35,417</u>
Net assets			
Reserves			
Capital reserve	20	9,066	9,066
Retained earnings		23,068	26,351
		<u>32,134</u>	<u>35,417</u>
Total members' funds		32,134	35,417

The notes on pages 46-69 form an integral part of the financial statements. These financial statements were approved by the directors and authorised for issue 27 September 2024 and are signed on their behalf by:

Edward Warwick, Director.
Company number 01622174

Company statement of financial position

	Note	2024 £000	2023 £000
Fixed assets			
Investments	10	6,073	6,073
Current assets			
Cash at bank and in hand	13	15	2,036
		<u>15</u>	<u>2,036</u>
Creditors: amounts falling due within one year	14	(1,051)	(2,051)
		<u>(1,036)</u>	<u>(15)</u>
Net current liabilities			
		<u>(1,036)</u>	<u>(15)</u>
Total assets less current liabilities		<u>5,037</u>	<u>6,058</u>
Reserves			
Capital reserve	20	9,383	9,383
Retained earnings		(4,346)	(3,325)
		<u>5,037</u>	<u>6,058</u>
Total members' funds		<u>5,037</u>	<u>6,058</u>

The company's loss for the year was £1,021k (2023: loss £1,051k).

The notes on pages 46-69 form an integral part of the financial statements. These financial statements were approved by the directors and authorised for issue on 27 September 2024 and are signed on their behalf by:

Edward Warwick, Director.
Company number 01622174

Group statement of cash flows

	Note	2024 £000	2023 £000
Cash flows from operating activities			
Loss for the financial year		(1,806)	(2,719)
Adjustments for:			
Loss on revaluation of investment properties		1,670	180
Depreciation of property, plant and equipment		1,141	993
Payments to defined benefit pension scheme		-	(725)
Finance charge on defined benefit pension scheme		9	-
Interest payable		38	27
Interest receivable		(186)	(5)
R&D expenditure credit		(449)	(391)
R&D tax relief received in cash		-	910
Taxation charge		465	294
Increase in stock		(102)	(637)
Decrease/(increase) in debtors		410	(2,772)
(Decrease)/increase in creditors		(2,904)	2,513
		<hr/>	<hr/>
Cash used by operations		(1,714)	(2,332)
Tax paid		(391)	(350)
		<hr/>	<hr/>
Net cash used by operating activities		(2,105)	(2,682)
Investing activities			
Purchases of property, plant and equipment		(483)	(1,538)
Disposals of property, plant and equipment		-	16
Interest received		186	5
		<hr/>	<hr/>
Net cash used in investing activities		(297)	(1,517)

Continues on next page.

Group statement of cash flows

(continued)

	Note	2024 £000	2023 £000
Financing activities			
Repayment of bank loans		(214)	(215)
Interest paid		(38)	(29)
		<hr/>	<hr/>
Net cash used in financing activities		(252)	(244)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	13	7,291	11,710
Effect of exchange rate fluctuations on cash held		(114)	24
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	13	4,523	7,291
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 46-69 form an integral part of the financial statements.

Group and company statements of changes in equity

	Capital reserve £000	Retained earnings £000	Total £000
Group			
At 1 April 2022	9,066	30,117	39,183
Loss for the year	-	(2,719)	(2,719)
Other comprehensive expense	-	(1,047)	(1,047)
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(3,766)	(3,766)
	<hr/>	<hr/>	<hr/>
At 31 March 2023	9,066	26,351	35,417
	<hr/>	<hr/>	<hr/>
Loss for the year	-	(1,806)	(1,806)
Other comprehensive expense	-	(1,477)	(1,477)
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(3,283)	(3,283)
	<hr/>	<hr/>	<hr/>
At 31 March 2024	9,066	23,068	32,134
	<hr/>	<hr/>	<hr/>
Company			
At 1 April 2022	9,383	(2,274)	7,109
Loss for the year	-	(1,051)	(1,051)
Other comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(1,051)	(1,051)
	<hr/>	<hr/>	<hr/>
At 31 March 2023	9,383	(3,325)	6,058
	<hr/>	<hr/>	<hr/>
Loss for the year	-	(1,021)	(1,021)
Other comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(1,021)	(1,021)
	<hr/>	<hr/>	<hr/>
At 31 March 2024	9,383	(4,346)	5,037
	<hr/>	<hr/>	<hr/>

The notes on pages 46-69 form an integral part of the financial statements.

Principal accounting policies

Company information

HR Wallingford Group Limited is a company limited by guarantee 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.

HR Wallingford Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemption available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments and the presentation of a cash flow statement.

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

Going concern

After considering the Group’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 Group 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. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Business combinations are accounted for under the acquisition method and goodwill on consolidation is capitalised and amortised over its useful life. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes.

Turnover and revenue recognition

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

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations 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.

The sale of software packages includes software support as an individual component and transaction. Revenue from software sales is recognised at the date of shipment for perpetual licenses or over the contract term for term licenses or SaaS solutions, and support revenue is recognised over the period for which the support is provided. 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

Company funded research and development expenditure is written off as incurred.

Investments

Fixed asset investments in subsidiaries are included at cost less amounts written off. Investments in subsidiaries are assessed for impairment at each reporting date and any losses or reversals of impairment are recognised immediately in the profit or loss account.

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 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 to 50 years straight line

Plant and machinery: 3 to 10 years straight line

Fixtures and fittings: 3 to 20 years straight line

Computer equipment: 3 to 10 years straight line

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

Investment properties

Certain of the Group's properties are held for long-term investment. Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. After 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.

Operating lease agreements

As lessor: rentals applicable to operating leases where substantially all 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. Employer funded costs of the Group's personal pension plan are charged to the profit and loss account as incurred.

The Group 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 2022. 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 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. A pension scheme deficit is recognised in full on the Group balance sheet. A pension scheme surplus is restricted to nil on the Group balance sheet as the Group

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 interest costs as a finance charge. Actuarial gains and losses and the return on scheme assets excluding interest on scheme assets are reported in the Group statement of other comprehensive income.

Taxation

As a Scientific Research Association, HR Wallingford Group Limited is exempt from paying Corporation Tax under Section 469 of the Corporation Taxes Act 2010.

Foreign currencies

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. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves.

Financial instruments

Financial assets and financial liabilities are recognised when the Group 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.

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. After initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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. After 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 Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, 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 Group has a legal or constructive obligation because of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted and take into account the effect of the time value of money except where that effect is not material.

Holiday pay accrual

The Group 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 bank 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. Subsequently, they are measured at amortised costs using the effective interest method.

Grant income

Grants relating to the Groups' operating activities recognised in turnover 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 Group 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 turnover 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 Group recognises revenue from the provision of services other than rental income, software, basic equipment and 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 Group meets the requirements of FRS 102 in relation to revenue recognition.

Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value at 31 March 2024 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 Group does not recognise deferred tax relating to UK corporation tax. The directors have considered the existing and future tax environment and has assessed that Group's ability to rely on gift aid as a tax-deductible expense, the continuing exemption provided by S.469 of the Corporation Taxes Act 2010 and the Group's ability to deliver on the required research obligation. This assessment has concluded that the Group 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.

Pension and other post-employment benefits

The future 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 clients and a periodic review of existing clients 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.

Notes to the financial statements

1. Turnover

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

	2024	2023
Group	£000	£000
United Kingdom	8,968	7,925
Asia	5,779	11,265
Europe	3,675	2,788
Rest of world	13,251	9,316
	<u>31,673</u>	<u>31,294</u>
	<u><u>31,673</u></u>	<u><u>31,294</u></u>
Consulting	25,983	22,185
Software and support	3,239	4,138
Equipment provision and support	2,451	4,971
	<u>31,673</u>	<u>31,294</u>
	<u><u>31,673</u></u>	<u><u>31,294</u></u>

2. Other operating expenses

	2024	2023
Group	£000	(restated) £000
Raw materials and consumables, including project expenditure	6,233	7,351
Staff costs	19,777	19,138
Depreciation	1,141	993
Other operating expenses	7,140	8,495
	<u>34,291</u>	<u>35,977</u>
	<u><u>34,291</u></u>	<u><u>35,977</u></u>

2023 figures have been restated to better reflect categorisation on consolidation. There is no change to the £35,977k overall cost.

3. Other operating income

Group	2024 £000	2023 £000
Gross rent receivable, catering income and royalties	2,359	2,460
Research and development expenditure credit	449	-
	<u>2,808</u>	<u>2,460</u>

In 2023 the research and development expenditure credit of £391k was included net within other operating expenses.

4. Operating loss

Operating loss is stated after charging/(crediting).

Group	2024 £000	2023 £000
Research and development expenditure credits	(449)	(391)
Research and development expenditure	917	1,344
Foreign exchange loss / (gain)	751	(106)
Depreciation of fixed assets	1,141	993
Fees payable to Company's Auditor and its associates in respect of both audit and non-audit services are as follows:		
• Audit services – statutory audit of Company and consolidated accounts	10	8
• Audit services – statutory audit of associates of the Company	56	60
• Non-audit services – other services	16	-
	<u>16</u>	<u>-</u>

5. Particulars of employees

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

Group	2024 Number	2023 Number
Scientific and other staff	264	268
Administrative staff	20	18
	<u>284</u>	<u>286</u>

The aggregate payroll costs of the above were:

	2024 £000	2023 (restated) £000
Wages and salaries	16,430	15,723
Social security costs	1,665	1,774
Other pension costs	1,682	1,641
	<u>19,777</u>	<u>19,138</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. 2023 payroll costs have been restated per note 2 to better reflect categorisation on consolidation.

6. Directors

Remuneration in respect of directors was as follows:

	2024	2023
	£000	£000
Emoluments	834	728
Pension contributions to defined contribution pension plan	66	86
	<u>900</u>	<u>814</u>
Emoluments of highest paid director:		
Emoluments	302	210
Pension contributions to defined contribution pension plan	19	28
	<u>321</u>	<u>238</u>

Emoluments paid in the year to 31 March 2024 include a £157k payment made to Dr Bruce Tomlinson on his departure as Chief Executive Officer and extra amounts paid to Ian Davies, which reflect additional time incurred in his role as non-executive Chair.

The number of directors to whom retirement benefits are accruing under the defined contribution scheme was 4 (2023: 4).

7. Finance income and costs

	2024	2023
	£000	£000
Bank interest receivable	186	5
Interest payable on bank borrowings	(38)	(27)
Finance charge on defined benefit pension scheme (see note 17)	(9)	-
	<u>(47)</u>	<u>(27)</u>
	<u>139</u>	<u>(22)</u>

8. Tax on loss

Group	2024	2023
	£000	£000
Current tax on income for the year		
UK corporation tax	-	-
Foreign tax	464	302
	<hr/>	<hr/>
	464	302
Adjustments in respect of prior years:		
UK corporation tax	-	(8)
	<hr/>	<hr/>
Total current tax	464	294
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax		
Origination and reversal of timing differences	1	-
	<hr/>	<hr/>
Total deferred tax	1	-
	<hr/> <hr/>	<hr/> <hr/>
Total tax charge	465	294
	<hr/> <hr/>	<hr/> <hr/>

The Group is in receipt of grants from the UK Government under the R&D Expenditure Credits ('RDEC') scheme, and amounts receivable for the current year totalling £449k (2023: £391k) have been credited to the income statement. These are not shown in the table above.

Continues on next page.

Tax on loss (continued)

Reconciliation of effective tax rate

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:

	2024	2023
	£000	£000
Loss before tax	(1,341)	(2,425)
Tax on loss at standard UK corporation tax rate of 25% (2023: 19%)	(335)	(461)
Effects of:		
Fixed asset differences	146	31
Expenses not deductible for tax purposes	493	431
Income not taxable for tax purposes	(104)	(28)
Chargeable gains	390	(34)
Adjustments to tax charge in respect of previous periods	(2)	(8)
Group relief claimed	(45)	(36)
Deferred tax not recognised	(331)	152
Differences in respect of foreign rates	218	222
R&D losses tax credit refund	35	25
Total tax charge for the period	465	294

9. Property, plant and equipment

	Investment property	Freehold property	Plant & machinery	Fixtures & fittings	Computer equipment	Assets under construction	Total
Group	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2023	11,810	20,324	5,443	786	3,652	221	42,236
Additions	-	61	100	4	252	66	483
Transfers	-	1	158	-	-	(159)	-
Revaluation	(1,670)	-	-	-	-	-	(1,670)
Foreign exchange	-	-	(51)	(8)	(20)	-	(79)
At 31 March 2024	10,140	20,386	5,650	782	3,884	128	40,970
Depreciation							
At 1 April 2023	-	8,704	4,102	587	2,275	-	15,668
Charge for the year	-	370	348	33	390	-	1,141
Foreign exchange	-	-	(51)	(8)	(16)	-	(75)
At 31 March 2024	-	9,074	4,399	612	2,649	-	16,734
Net book value							
At 31 March 2024	10,140	11,312	1,251	170	1,235	128	24,236
At 31 March 2023	11,810	11,620	1,341	199	1,377	221	26,568

Investment properties were revalued on 31 March 2024 by the directors based on a valuation by Cushman & Wakefield, Chartered Surveyors. The basis of the valuation was fair value, in accordance with International Valuation Standards and the RICS UK national supplement. The loss on revaluation has been recognised in the income statement.

Continues on next page.

Property, plant and equipment (continued)

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 2024.

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	(3,509)
	<hr/>
Carrying value at 31 March 2024 on historical cost basis	3,156
	<hr/> <hr/>

10. Investments

Company	£000
Cost	6,079
Provision for past impairment	(6)
	<hr/>
Carrying amount at 31 March 2023 and 31 March 2024	6,073
	<hr/> <hr/>

Continues on next page.

Investments (continued)

Details of the principal investments of the Company are as follows:

Name of undertaking	Registered office	Nature of business
HR Wallingford Ltd	Howbery Park, Wallingford, Oxfordshire OX10 8BA, UK	All: Consulting services in Hydraulics
HR Wallingford Asia Sdn Bhd *	193 Jalan Tasik Selatan, 57000, Kuala Lumpur, Malaysia	
Hydraulics Research Wallingford India Pvt Limited *	228 Avior Nirmal Galaxy, LBS Marg, Mulund (West), Mumbai 4000, India	
HR Wallingford Pty Limited *	Central Park, Level 43, 152-158 St Georges Terrace, Perth WA 6000, Australia	
HR Wallingford Inc *	3100 Timmons Lane, Suite 435, Houston, TX 77027, USA	
HR Wallingford Hydraulic Environment Technology Consulting (Shanghai) Ltd *	No. 58 Changliu Road, Zen Dai Cube Edifice, Shanghai 200135, China	
HR Wallingford LLC**	P.O. Box: 127432, Abu Dhabi, UAE	
HR Wallingford Asia Limited*	39/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong	
HR Wallingford Coretec Ltd	Howbery Park, Wallingford, Oxfordshire OX10 8BA, UK	

* Held by HR Wallingford Ltd.

** HR Wallingford Ltd 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.

11. Stocks

	2024	2023
	£000	£000
Finished goods and raw materials	1,067	965

12. Debtors

	2024	2023
	£000	£000
Trade debtors	8,127	7,581
Corporation tax recoverable	799	291
Other debtors	100	765
Prepayments and accrued income	5,804	6,157
Deferred tax asset	42	45
	14,872	14,839

13. Cash at bank

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Cash at bank	4,523	7,291	15	2,036

14. Creditors: amounts falling due within one year

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Secured bank loans	102	215	-	-
Trade creditors	1,476	3,456	-	-
Amounts owed to group undertakings	-	-	1,051	2,051
Taxation and social security	691	322	-	-
Other creditors	791	580	-	-
Accruals and deferred income	7,673	9,177	-	-
	10,733	13,750	1,051	2,051

15. Creditors: amounts falling due after more than one year

	Group	
	2024	2023
	£000	£000
Secured bank loans	218	319

The bank loans are secured on the fixed assets which they financed. Amounts repayable by instalments falling due after more than five years are £nil (2023: £27k).

The loans mature annually at £103k in the year to 31 March 2025, then £65k per annum to March 2028 and £14k to March 2029 (2023: £215k in the year to March 2024, £103k to March 2025, £65k per annum to March 2028 and £14k to March 2029). Interest is payable at rates of 1.1% and 3.0% above the bank's base rate which results in an average variable-rate at 1.3% above the bank's base rate (2023: 1.8% average above the bank's base rate). The Group makes quarterly repayments of the loans which are denominated and repaid in pounds sterling.

16. Deferred tax assets and liabilities

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Fixed asset timing differences	35	32	-	-
Other timing differences	7	13	-	-
	<u>42</u>	<u>45</u>	<u>-</u>	<u>-</u>

	Group	Company
	2024	2024
	£000	£000
Asset at 1 April 2023	45	-
Foreign exchange movements	(2)	-
Charge to profit or loss	(1)	-
Asset at 31 March 2024	<u><u>42</u></u>	<u><u>-</u></u>

Continues on next page.

Deferred tax assets and liabilities (continued)

The Group does not recognise UK deferred tax assets or liabilities as the directors do not believe the eventual tax benefit or cost will materialise due to the various tax reliefs available to the Group. The liability not recognised is shown below:

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Deferred tax assets/(liabilities) not recognised:				
Fixed asset timing differences	(2,339)	(2,386)	-	-
Short term timing differences	(97)	(166)	-	-
Capital gains	(869)	(479)	-	-
Losses and other deductions	730	887	-	-
	<u>(2,575)</u>	<u>(2,144)</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

17. Pension commitments

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

Defined contribution plan

The cost of the Group Personal Pension Plans for the year was £1,682k (2023: £1,641k).

Defined benefit pension 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 2022. The Group has employed an independent actuary to 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 Group to measure the Scheme's liabilities in the financial statements, as well as adjusting for benefits paid by the Scheme. The Group paid contributions totalling £nil over the period ended 31 March 2024 (2023: £0.7m) in respect of payments to repair the funding deficit. The Trustees of the Scheme have a charge over certain Group investment properties and related rental income. The market value of these properties was £25,500k at 31 March 2024.

Continues on next page.

Pension commitments (continued)

The principal assumptions used by the actuary were:

	2024	2023
Assumptions at 31 March		
Interest rate for discounting liabilities	4.95%	4.85%
Retail Price Inflation	3.15%	3.20%
Consumer Price Inflation	2.70%	2.80%
Pension increases pre-April 1997	2.70%	2.80%
Pension increases post April 1997	2.70%	2.80%
Mortality:		
Non-pensioner mortality	S3PA tables; year of birth with future improvements in line with CMI 2023	S3PA tables; year of birth with future improvements in line with CMI 2021
Pensioner mortality	S3PA tables; year of birth with future improvements in line with CMI 2023	S3PA tables; year of birth with future improvements in line with CMI 2021
Life expectancy (years):		
Current pensioner aged 65 (male)	21.3	21.7
Current pensioner aged 65 (female)	23.9	23.6
Future pensioner aged 65 in 20 years (male)	22.6	23.0
Future pensioner aged 65 in 20 years (female)	25.3	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.

Continues on next page.

Pension commitments (continued)

Movement in assets and liabilities and net deficit of the Scheme during the period

	Assets £000	Liabilities £000	Total £000
At 1 April 2023	80,124	(80,301)	(177)
Benefits paid	(3,375)	3,375	-
Employer contributions	-	-	-
Interest income/(expense)	3,805	(3,814)	(9)
Re-measurements included in other comprehensive income			
- Actuarial gains	-	1,647	1,647
- Return on plan assets excluding interest income	(3,074)	-	(3,074)
At 31 March 2024	77,480	(79,093)	(1,613)

The actual return on assets over the year was £730k gain (2023: £27,523k loss).

The amounts recognised in the Group statement of financial position are as follows:

	2024 £000	2023 £000
Fair value of scheme assets	77,480	80,124
Present value of scheme liabilities	(79,093)	(80,301)
Defined benefit pension scheme liability	(1,613)	(177)

Asset categories as at 31 March

	2024 £000	2023 £000
Equities	10,204	10,577
Bonds	66,844	68,343
Cash	432	1,204
Total	77,480	80,124

Continues on next page.

Pension commitments (continued)

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

	2024 £000	2023 £000
Operating cost		
Administration expenses borne directly by the Group	410	403
Interest income on assets	(3,805)	(2,830)
Interest cost on defined benefit obligations	3,814	2,579
Interest on unrecognised asset	-	251
	<hr/>	<hr/>
Net finance cost	9	-
	<hr/>	<hr/>
Total cost in income statement	419	403
	<hr/> <hr/>	<hr/> <hr/>

Sensitivity to assumptions

The liabilities at 31 March 2024 are £79,093k (2023: £80,301k). The approximate effects of movements in the main assumptions on this value are shown in the table below:

	Liability increase /(decrease)	
	£000	£000
Discount rate increased/decreased by 0.5%	(5,000)	5,600
RPI/CPI inflation increased/decreased by 0.5%	5,000	(5,100)

18. Contingent liabilities

Under HM Revenue & Customs regulations, HR Wallingford Group Limited (“Parent Company”) has Scientific Research Association status under Section 469 of the Corporation Taxes Act 2010. An annual retrospective self-assessment return to HM Revenue & Customs is required to confirm tax exempt status. The exemption applies to the Parent Company only. HR Wallingford Limited, the UK trading subsidiary, is liable to UK corporation tax but uses gift aid payments to the Parent Company to minimise liabilities. Foreign subsidiaries pay appropriate local corporate taxes (see note 16). No provisions have been made for UK deferred tax for the years ended 31 March 2024 or 31 March 2023. The directors are of the opinion that the application for scientific research status by HR Wallingford Group Limited for the year will continue to be successful, as it has been in previous years.

The Group has provided guarantees in favour of certain customers within the normal course of business. The guarantees are drawn under secured borrowing facilities. As at 31 March 2024, these guarantees in relation to drawn balances totalled £0.7m (2023: £1.4m).

19. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under FRS 102 Section 33.

20. Reserves

Reserves of the Group and Company represent the following:

Capital reserve

The capital reserve represents the value of tangible fixed assets and certain other assets transferred from the Department of the Environment ('DoE') in 1984, together with a working capital grant provided by the DoE in earlier years. There was no movement on the capital reserve of £9,066k in the Group and £9,383k in the Company during the current or prior financial year.

Retained earnings

This reserve records the accumulated movements in total comprehensive income.

21. Operating leases as lessor

The Group owns several 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:

	2024	2023
	£000	£000
Not later than one year	1,147	1,589
After one year but not more than five years	619	1,262
Total	1,766	2,851

22. Operating leases as lessee

Non-cancellable operating lease rentals are payable by the Group as follows:

	2024 £000	2023 £000
Not later than one year	87	75
After one year but not more than five years	-	87
Total	<u>87</u>	<u>162</u>

During the year £75k was recognised as an expense in the Group's profit and loss account in respect of operating leases (2023: £73k).

23. Controlling parties

The controlling parties of the Company and the Group are the members of HR Wallingford Group Limited. The members provide a guarantee limited to £10 each.

The members are split between Staff Company Members and Ordinary Company Members. Each member has a single vote at general meetings, but the votes cast are apportioned such that the Ordinary Company Members voting shall, in aggregate, represent 60% of the votes cast and the Staff Company Members shall, in aggregate, represent 40% of the votes cast.

24. Post balance sheet events

In July 2024 the Group issued guarantees in respect of new contracts to a value of £10.0m for periods up to 2030. These guarantees, which incorporate £7.1m of advanced payment guarantees and £2.9m of performance bonds, represent new contingent liabilities which were not in place at the balance sheet date.



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