



HR Wallingford Group

# Annual report and financial statements

For the year ended 31 March 2023



hr wallingford

**HR Wallingford Group Limited**  
**Company Limited by Guarantee**  
Annual Report and Financial Statements  
for the year ended 31 March 2023

**Company No. 01622174**

## Company information

**Company registration number**

01622174

**Registered office**

Howbery Park  
Wallingford  
Oxfordshire  
OX10 8BA

**Directors**

R Bentiba  
A J Brown  
I R Davies  
Dr S Howes OBE  
Dr A Lowdon OBE  
J Ogundele  
D A Freeman  
Dr B N Tomlinson

**Independent Auditor**

RSM UK Audit LLP  
Third Floor, One London Square  
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**Bankers**

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Davidson House  
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## Chair's introduction

The economic environment remains challenging for HR Wallingford Group and all of our people. I would like to acknowledge the hard work and continued commitment of all our people across the world for their sustained effort and professionalism, over the last financial year.

Investment in capital infrastructure drives much of the demand for our services and we have been impacted by investment decisions that are under pressure as economic growth falters through the uncertainties of energy supply, the recent pandemic and armed conflict. We have also been impacted by changes in UK trade policy.

HR Wallingford is well placed to navigate these challenges with our robust balance sheet and strong market positioning, however, there is no doubt it has been a tough year and it is requiring changes in how we do business. We also have to be increasingly skilled and agile in our ways of doing business.

The results are not what we had hoped for, but we are successfully adapting to a changing international business environment.

In the longer term, there are many opportunities for HR Wallingford to address global sustainability challenges. Building upon our existing world-class people and facilities, we plan to extend our capabilities by applying focused research and innovation to our deep sector knowledge; placing HR Wallingford firmly at the forefront of innovation to create sustainability solutions.

In 23/24, will be preparing our new 3-5 year strategy for the group, and implementing key investments in Enterprise Resource Planning and business management to ensure that our global presence and structure is fit for the future.

The future for HR Wallingford is bright. We will adapt, increase our impact, and contribute to solving regional, national and international sustainability issues. I look forward to strengthening leadership and enabling all of our people at HR Wallingford to deliver.

Sally Howes  
Chair  
25<sup>th</sup> August 2023

# Chief Executive report

## Results

Our results to 31 March 2023 reflect an organisation that has experienced exceptional impact from external influences.

Group turnover reduced to £31.3m(2022: £32.1m). The turnover reduction was expected and the group has been significantly impacted by resolution of historic business rates matters and trading issues within the equipment business resulting in an underlying operating loss of £2.2m (2022: profit £2.6m). After reporting the unrealised loss on valuation of our investment properties of £180K (2022:£70k gain), the figure for the year is a loss of£2.4m.

Our total research activity amounted to £2.6m, a decrease from last year (2022: £2.8m). However, research activity funded entirely by the Group increased to £1.7m (2022: £1.4m).

Net assets decreased to £34.9m (2022: £39.2m) drawing on the year's trading loss. The Group cash balance decreased to £7.3m at the year-end (2022: £11.7m). Despite this the Group balance sheet remains robust.

## Strategy

Our purpose is 'to shape a future where people live and work sustainably with water'. With no requirement to distribute surplus to shareholders, the business focuses all its surplus on research, staff development, facilities and staff reward. This allows the Group to be recognised as a world-class operation, competing successfully in global markets both for customers and the best talent.

This year represented the second year of our three year strategy, agreed in 2020, to:

- Extend financial strength in the medium term
- Deliver excellence in skills, leadership and engagement
- Deliver world leading research and innovation
- Deliver exceptional capability with global reach
- Ensure a world-class HR Wallingford.

During the year we launched a comprehensive sustainability programme which will feed into our new strategy cycle by ensuring sustainability is woven through our consultancy, operations, manufacturing and research and innovation.

On our roadmap to Net Zero, we have completed our best estimate of our current state, although this only covers a limited amount of Scope 3 emissions.. We will set near-term decarbonisations targets for Scope 1 & 2. This would provide HR Wallingford with a means of getting external validation by SBTi (Science Based Targets initiative) or similar. Once we have a complete set of emissions data, we will set our baseline and finalise our accounting method for tracking progress, and prepare our roadmap aligned with inputs from our new Corporate Strategy.

We have a set of commitments as part of our sustainability programme. These represent our best means of aligning with the UN Sustainable Development Goals (UNSDGs) and supporting the delivery of the outcomes of the Conference of Parties (CoP).

## Chief Executive report

These commitments are:

1. Ensure our research strategy has sustainability at its core, enabling us to leverage our world class research capability and create innovation for impact.
2. Launch dedicated climate change services as part of our portfolio to help our clients and partners with their climate-related problems, by identifying opportunities to leverage our technology and expertise.
3. Develop and launch a leadership programme which will help our people to take ownership of sustainability.
4. Design and implement a best practice sustainability management framework – including how we report, govern, engage with our stakeholders – and develop a new set of sustainability-related performance indicators.
5. Develop a validated net-zero roadmap that will aim to deliver our aspirations of achieving net-zero operations and a net-zero Howbery Park well in advance of the UK Government’s 2050 target.
6. Leverage our world-class Howbery Park site to highlight sustainable innovation, best practice and attract world-class partners.
7. Secure certification as a great organisation to work for (e.g. the Great place to work certification).

# Chief Executive report

## Business review

### HR Wallingford

Changes in our climate mean that water will become scarcer in many places, and increasingly volatile in others. Our ability to build sustainable communities, industries and infrastructure will become more challenging.

Water is the fundamental resource upon which society and the environment depend and its importance and influence is becoming increasingly acknowledged as an asset and respected as a threat.

The demand for our unique capability is clear and once again this year our people have helped clients around the world to build sustainable communities, industries and infrastructure.

With our changing climate and the energy crisis still at the forefront of current global challenges we continue to see rapid growth in developments and associated projects in renewables and transition fuels across the globe.

Our team has drawn on our unique capabilities in science, technology, and engineering, to invest in knowledge to deliver insight and innovation. We have delivered smarter, more resilient solutions to address future challenges and opportunities in, on and near water in 25% of the world's countries this year. All this work has been underpinned by our state-of-the-art facilities and technology.

Our reputation and our ambition to set the highest of standards for research, consultancy and technology continue to drive our purpose to shape a future where people live and work sustainably with water.

### *Research*

Research and Innovation at HR Wallingford are centred around the United Nation's 17 Sustainable Development Goals (SDGs), and specifically the targets that sit under each of the goals.

The aspects of these goals with respect to shaping a future where people live and work sustainably with water are captured in the R&I programme within the following three key interconnected themes:

- Climate-induced hazards
- Resilient places
- Decarbonisation

Our core research aims to support the creation of smart, resilient solutions for the natural and built environments to help the world understand the influence and changing impact of water within a changing world. Our applied research is underpinned through our consultancy work tackling real world issues and ensuring our knowledge remains relevant and focussed on addressing the right questions.

We continue to expand the types of models we use, increasing definition and including the possibility of coupling to 'reduced order' methods and statistical emulators. To this end we are investing in and developing our in-house high-performance computing (HPC) capability.

We have been pioneering the use of agent-based models for eco-hydraulics and, describing the movement of animals, plants or inanimate objects that either drift or move under their own propulsion in water environments.

## Chief Executive report

Partnerships are needed to address the large challenges facing society, and they require multi-disciplinary approaches. We are already working with governments, industry, communities and other research institutes and universities to tackle some of these challenges but are looking to expand our impact by developing new partnerships and collaborations, both nationally and internationally to help achieve the ambitious goals that we have set for ourselves.

### *Consultancy*

We have helped clients around the world to build sustainable communities, industries, and infrastructure. The breadth of our work is far reaching, from modelling work to help protect individual properties; to predicting the effects of cyclones across a huge geographical area; to helping cut carbon emissions caused by dredging by refining practices and techniques – the breadth of our work is far reaching.

With the energy crisis accelerating, we have seen rapid growth in projects concerning renewables and transition fuels across the globe. This year we have also spearheaded a notable Joint Industry Partnership to help accelerate growth in floating wind by finding solutions to storage and port operations. Our physical modelling facilities have been busy with highly complex models for major engineering projects and our fast flow facility has been continuously utilised all year, mostly with offshore wind projects. The Australian ship simulation facility has reported its strongest ever financial performance and we have upgraded our UK ship simulation centre, to further enhance our simulations market-leading levels of realism.

Our numerical tools have continued to play a significant role, creating next generation automated flood maps, groundwater models for drought-hit areas, helping design offshore wind farms and much more. Our investment in upgraded HPC will support this and the growth of CFD modelling.

Our people have harnessed research, data insights and the power of their collective expertise, to help the world live and work sustainably with water.

### *Software*

In recent years, the existing HR Wallingford software operation delivered profits of between £0.5-1.0m, Wallingford owned subsidiary companies in China, Malaysia, Hong Kong and a branch in Italy.

Over the past year we have developed a new generation of HR Wallingford products including Sim-On, in both the gas and water supply sectors and SHIPMOOR in the energy sector.

### *Equipment*

The last 12 months have continued to be challenging for the Equipment, Technology, and Innovation team, with the COVID-19 pandemic impacts of recent years continuing to affect performance. Whilst travel restrictions eased to many countries, travel to China was challenging and obstructed the completion of a number of projects. Further, UK Government changes to export control regulations in 2022 means that the delivery and completion of existing and future projects is restricted and remains uncertain. In March 2023, we were awarded a contract for a wave generation system for a new seakeeping and manoeuvring basin in Norway, valued at £11m, and since the year end we have been awarded a further £18.5m.

## Chief Executive report

### Howbery Business Park

Our business park in Wallingford had a challenging year requiring us to collaborate closely with tenants who are still adapting to post-Covid hybrid operating models. Operating income from tenants was £2.5m (2022: £2.4m) and we reached full occupancy by the end of the financial year.

The Valuation Office of Assessment (VOA) responsible for setting rates has assessed the park remotely and issued a substantial increase in rates demands which we are appealing.

Our ongoing commitment to the environment at Howbery, along with our long-term biodiversity programme, was recognised this year by winning the pollinator award in the 2022 BIG biodiversity challenge awards run by CIRA for our work supporting bees in the grounds.

We are keen to develop a Centre of Excellence, to focus on water, the environment and climate change. Our ethos remains making Howbery an attractive place to work and to tie this in with climate targets like net zero emissions. Howbery Park was the first business park in the UK to have a solar farm, reducing the impact and environment through initiatives on energy use, recycling and materials.

### Pensions

Following the closure of the defined benefit pension scheme in 2014, the Group now offers a defined contribution plan for UK employees.

The Group remains responsible for the financing of the defined benefit pension scheme. The FRS 102 valuation has reduced the (unrestricted) surplus of £9.3m on 31 March 2022 to a deficit £0.2m. The Group has made contributions to the scheme in the year of £0.7m (2022: £0.7m).

### Board of Directors

The Board Chair undertook a review of governance, and the recommendations were supported by the Staff Council and Board.

The Board Chair also focussed on Director performance. Specific board objectives were introduced for each Director at the start of the year, providing a focus for appraisals at year end. 360 feedback was introduced for Executives during the year leading to design of a development programme.

Details of all the current directors are given on pages 20 and 21.

### Our people

Our people are at the core of what makes our Group so special. The year to March 2023 was less impacted by the working restrictions imposed by the COVID-19 pandemic, but it is still a challenging environment for our people, as they seek to balance commitments to work and families. The Board recognises the passion and commitment of our colleagues and thanks them for their positive spirit.

We have operated a hybrid working arrangement, targeting a 2:3 office:home ratio. The Board is clear that all our people need adequate contact time in the office for mentoring, development and team building.

Our people are key stakeholders in HR Wallingford and the Board wants our staff to be highly engaged in our strategic development, future success and sustainability. The purpose of the Staff Council is to bring the diversity of thought from our people to the Board. The Staff Council comprises eight staff members

## Chief Executive report

who are elected by the staff, meet quarterly in advance of Board meetings and have access to appropriate Board information. The Staff Council provides feedback to the Board at two Board meetings each year.

As part of our strategy to develop an agile and flexible workforce to underpin our sustainability, we continually assess the future resourcing and skill-base requirements of the sectors and disciplines in which we operate. We remain committed to the training and professional development of all our colleagues for both our current and future needs. We encourage and support continual professional development and the associated training through professional bodies, including ICE, CIWEM, IMarEST and a wide range of specialist institutes. We continue to maintain and cultivate strong academic links with several UK and European universities with our staff appointed as visiting professors at several institutions and we sponsor several PhD students.

We have continued to enhance the learning and development opportunities available including the introduction of a line management programme to provide foundational knowledge for new and developing people managers, recruitment training to help recruiting managers meet the ongoing challenges, and personal development workshops focussed on skills and behaviours that enable people to be more effective, and grow and reach their full potential. Alongside this, we continue to promote and support on-the-job learning to ensure our people can work to the highest standards.

During the year, HR Wallingford Ltd (the Group's core trading subsidiary) reported an April 2022 snapshot mean gender pay gap of 28.2% (April 2021: 26.5%) and a median gender pay gap of 27.6% (April 2021: 28.6%); being the difference between men's and women's average earnings across the group. We recognise the need to encourage and empower more senior women to bridge the gender gap as there is a significant disparity between men and women in leadership roles. As part of our commitment to our 10-step action plan we are continuing to identify and address factors that contribute to the under representation of women in senior roles such as unconscious bias or barriers to career progression. Strategies include the review of recruitment processes to remove any gender bias, leadership development initiatives and flexible work arrangements.

The ratio of the Chief Executive's remuneration to representative percentile UK full-time equivalent (FTE) employee remuneration is presented in the table below:

Year ending 31 March.	25 <sup>th</sup> percentile pay ratio	Median pay ratio	75 <sup>th</sup> percentile pay ratio
2023	7.4	5.0	3.8
2022	7.1	5.0	3.6
2021	6.8	4.7	3.3

The methodology for calculating the pay ratios is based on total FTE remuneration..

### Outlook

Looking forward to the coming year, there are a number of significant challenges to the markets that we operate in, and which will put pressure on business levels. Higher inflation and interest rates will continue to create a challenging environment, whether for capital infrastructure projects or government policy and expenditure, along with more specific challenges from the lingering impact of COVID-19 or armed conflict and other political influences.

Focus on developing leadership should stand us in good stead as we develop our new strategy from FY24. During FY24 we will start to plan for our new strategic cycle starting in April 2024. We must continue to respond positively to the increasing capabilities and commercial pressure of the developing world. At the same time, we must also acknowledge the need to be agile with respect to where our staff wish to operate

## Chief Executive report

from and where our clients expect us to be. Our UK and international operational and delivery footprints will be a key part of this review.

The award of the equipment contracts in Norway will lead to a significant presence there and we should be able to build on this. The global energy, maritime and water markets are currently very vibrant and offer significant potential for HR Wallingford to expand its capability and global client base. Energy transitions, low carbon construction, shipping and transportation, water security and climate change / adaptation are all areas in which HR Wallingford leads and these sectors and global initiatives will drive growth in our consultancy, equipment and software businesses.

We are a global brand with a uniquely versatile, capable, and dedicated workforce whose skills will be in increasing demand. In this context, understanding water and its relationship with energy, food, health, infrastructure and the environment is fundamental to ensuring that society can shape a world where we can live and work sustainably with water.

**Bruce Tomlinson**

Chief Executive

25<sup>th</sup> August 2023

## Strategic report

The directors present their strategic report on the Group for the year ended 31 March 2023.

### Principal activity

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

The Company is classified as a Scientific Research Association with the main activity of the Company being to undertake research in hydraulics and other areas.

The principal activity of the Group is the provision of contract research and consulting services in hydraulics to a wide range of sectors including, government and the civil engineering industry.

### Review of business

The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements. Both the level of business during the year and financial position at the year-end were satisfactory under the prevailing trading circumstances. Further detail of the Group's activities for the year and likely future developments are included in the Chief Executive's report. At the time of this report the directors expect the business to operate at a sustainable level for the near future.

### 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 level. These cycles will drive or weaken expenditure from both private and public sectors. Maintaining awareness of the environment and shaping our growth or defensive stance is key to sustaining the Group through these economic cycles.

#### Staff resource

The Group's continued competitive and reputational success depends upon having sufficient staff 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 comparable to or better than industry norms, we continue to invest in training and developing our people to the highest standards.

## Strategic report

### 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 to maintain our reputation. Any 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 staff training, mentoring, our quality management systems and our open and collaborative culture.

### Pension scheme

The triennial valuation as at 31 March 2022 has been agreed with the Trustees. A reduced funding level will apply until the next valuation.

### 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. We are investing in a new ERP and strengthening our business process audit and assurance work to bring these up to date.

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 but the Group will, for material non-sterling sales, hedge any foreign currency exchange exposure. On 31 March 2023 there were no forward contracts in place.

### Directors' Duties – S.172 Companies Act 2006

The directors behave and carry out their activities to promote long-term success for the benefit of the Group's employees, customers, members, 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 the Chief Executive's report and this report highlights some of the measures and outcomes delivered as the directors have observed and delivered on these principles.

## Strategic report

### 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 three-year internal strategy plan – identifying objectives and themes to shape specific management plans. The Board monitors progress against the strategy on a regular basis, adjusting future objectives annually in line with current circumstances.

On behalf of the Board.

B N Tomlinson

Director

25<sup>th</sup> August 2023

## Report of the directors

The directors present their report and the audited financial statements of the Group for the year ended 31 March 2023.

### Future developments

Both the level of business during the year and financial position at the year-end were satisfactory. At the time of this report 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

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

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

### Directors

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

R Bentiba  
A J Brown  
I R Davies\*  
Dr S Howes OBE\* (Chair)  
G D Leeming (resigned 18 November 2022)  
Dr A Lowdon OBE\*  
J Ogundele\*  
D W Rooke MBE\* (resigned 31 October 2022)  
Dr B N Tomlinson (Chief Executive)  
D A Freeman (appointed 17 January 2023)

\* Non-executive

Brief biographies for the directors are set out on pages 20 and 21.

## Report of the directors

### Directors' indemnity

The Directors of the Group had the benefit of a qualifying indemnity provision throughout the financial year ended 31 March 2023 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 fifth year the SECR for the Group. As the Group has maintained additional scope 3 data for a number of years we are also reporting comparative year data.

The organisational boundary for the SECR is the UK operations of the Group (Howbery Park & Manchester) including energy emissions relating to the Instrumentation business acquired in December 2019. We have measured our scope 1, 2 and certain scope 3 emissions following the 2019 UK Government environmental guidance and we have used 2022 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.

Green House Gas emissions and energy use data for the year ending 31 March	2023	2022	2019
<b>Scope 1 (direct emissions tCO<sub>2</sub>e)</b>			
Gas consumption	197	221	222
Owned transport	14	19	12
F Gases	84	*	*
<i>Energy consumption used to calculate above emissions ('000 kWh) (exc. F Gases)</i>	<b>1,134</b>	1,283	1,258
<b>Scope 2 (indirect emissions tCO<sub>2</sub>e)</b>			
Location-based electricity emissions	345	332	586
Market-based electricity emissions	745	*	*
<i>Energy consumption used to calculate above emissions ('000 kWh)</i>	<b>1,782</b>	1,567	2,776
<b>Total gross Scope 1 &amp; 2 emissions (tCO<sub>2</sub>e)</b> (using location-based Scope 2)	<b>640</b>	572	820
<i>Energy consumption for both Scope 1 &amp; 2 (kWh)</i>	<b>2,916</b>	2,850	3,983
<b>Intensity ratio: tCO<sub>2</sub>e (gross Scope 1 &amp; 2) / £m revenue</b>	<b>19.3</b>	18.0	30.0
<b>Scope 3 (other indirect emissions tCO<sub>2</sub>e)</b>			
Purchased goods & services (aggregates, concrete, timber, metal, paper, and water usage only)	87	107	62
Fuel and energy-related activities not included in Scopes 1 & 2	155**	162*	61
Waste generated in process operations including: wood, food, metal, WEEE, glass, and waste water treatment only	3.89**	0.54	0.38
Business travel (flights and car journeys only)	225	109	297
<b>Total gross Scope 3 emissions (tCO<sub>2</sub>e)</b>	<b>499</b>	346	421
<b>Total gross tCO<sub>2</sub>e for all scopes</b> (using location-based Scope 2)	<b>1,139</b>	918	1,241

\* not measured

\*\* expanded scope to prior years

## Report of the directors

Over the last year we have seen an increase in the total gross tCO<sub>2</sub>e for all scopes. This was expected as we continue to expand the scale at which we account for our emissions. New emission activities that are included in this year's reporting include Fugitive [Refrigerant] gases alongside increased coverage towards our different waste streams. As we continue to increase the coverage and completeness of our GHG reporting, we expect further increases to our scope 3 emissions. Once scope 3 has been completely encapsulated, Net Zero planning can then more accurately take place as we aim to stay in line with Government commitments.

Scope 2 has seen a significant increase in what has been reported since FY22. Our energy emissions have increased at a base level as more employees have come back to office working and more tenants have returned to Howbery Park. Alongside this we have also started reporting our market-based energy emissions, where initially market-based emissions are over double that of location-based. However, since the start of FY24, HR Wallingford has been utilising a zero carbon energy tariff at Howbery Park, which leads us to expect that market-based energy emissions will drop to near zero for next year's reporting.

More accurately with regards to energy consumption, we continue to complete routine maintenance tasks, especially those that allows us to keep building services systems at their optimum performance for energy efficiency. In addition to this we are continuously monitoring for energy reduction activities that can be undertaken on site to reduce our annual energy consumption. From this, we have completed 90% of an LED lighting upgrade to our Froude Modelling Hall, and this will be completed once access to the remaining areas is available. We are also currently reviewing all external lighting at the Howbery Park site whilst keeping security and safety in mind. We will turn off where practical and adjust timeclocks where they are already fitted to reduce overnight operation and install time clocks where costs and practicality allow.

### 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.

## Report of the directors

### **Independent auditor**

RSM UK Audit LLP was reappointed as auditor at the Annual General Meeting on 22 September 2022.

On behalf of the Board.

B N Tomlinson  
Director  
25<sup>th</sup> August 2023  
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 their 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

### **Dr Bruce Tomlinson**

Bruce joined the Board as Group Chief Executive in July 2014. Bruce has a career spanning over 25 years in the maritime industry. After completing a PhD at Southampton University/National Oceanography Centre, Bruce held various civil engineering, maritime and offshore engineering consultancy and survey roles with firms such as BMT, Peter Fraenkel & Partners and Southern Water. He was part of a management buy-out team that set up EMU Ltd in the late 1990s, which was bought by geo-consultancy firm Fugro in 2012.

### **Ridha Bentiba**

Ridha originally joined HR Wallingford in 2001 as a master's student and in 2002 as a graduate engineer. Between 2002 and 2020, Ridha has held various positions at HR Wallingford and was appointed as Operations Director in November 2020. Ridha has over 19 years' experience in marine engineering and science in the United Kingdom and the Middle East. His experience 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.

### **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 responsible for HR Wallingford's business development activities.

### **Ian Davies**

Ian joined the Board in October 2019 as a non-executive director and Chairman of the Audit Committee. Ian has an MBA from Cranfield and has been an audit partner in an international firm, and a senior independent director or Chairman of several private and listed companies for 30 years, including 12 years as Deputy Chairman of BMT, the international maritime technology group. Ian is a Chartered Accountant and a past member of the Board and Council of the Institute of Chartered Accountants in England and Wales.

### **Dr Sally Howes OBE**

Sally was appointed a non-executive director and Chair of the Board in April 2022. Sally has a PhD in hydrology, an early career in international satellite programmes and has worked in aerospace, digital, cyber, government and higher education sectors, most often at the boundaries between technology, research and commercial business. She has performed a diverse range of roles including software engineer, programme manager, entrepreneur, strategy consultant, chief executive, member of the Senior Civil Service, business mentor and visiting professor. She was awarded an OBE for services to the UK space industry in 2004 and an Honorary Fellowship for the Institute for Project Management in 2019.

## Board of directors

### **Dr Alan Lowdon OBE**

Alan was appointed a non-executive director in April 2022. Alan has over 30 years' experience of the international energy and utilities sectors where he has focused on research, development, IP creation, commercialization, 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 January 2022, Alan was awarded an OBE by Her Majesty the Queen for: 'Services to UK-US Offshore Wind Collaboration'.

### **Janet Ogundele**

Janet joined the Board in July 2019. Janet 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. Now working as an independent human resources consultant, she helps small to medium size businesses achieve their next stage of growth. For the last nine years Janet has been a Non-Executive Director on Paradigm Housings Group Board, where she chaired their governance, nominations and remunerations committee; she retired from this post in September 2019.

### **Dougal Freeman**

Dougal joined us in November 2022 as Chief Financial Officer and was appointed a director in January 2023. Dougal has had considerable experience both as Finance Director and Chief Financial Officer in commercial and not for profit organisations and he has previously worked in international groups such as the Mines Advisory Group, the Global Alliance for Improved Nutrition and more recently at Oxford Policy Management. His previous work experience, aside from full responsibility for all financial matters, has included statutory jurisdictional financial accounting, tax reporting, project and client reporting, management reporting, governance of a complicated accounting group covering global entities, foreign exchange risk mitigation, tax compliance, and recruitment and management of large diverse large teams.

# 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 2023 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 2023 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.

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

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 18, 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.

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

## **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.

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

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

## Group income statement

	Note	2023 £000	2022 £000
<b>Turnover</b>	1	31,294	32,095
Other operating expenses	2	(35,977)	(31,818)
Other operating income	3	2,460	2,333
Operating (loss)/profit before revaluation of investment properties		(2,223)	2,610
(Loss)/gain on revaluation of investment properties	9	(180)	70
<b>Operating (loss)/profit</b>	4	(2,403)	2,680
Net interest payable and similar expenses	7	(22)	(74)
<b>(Loss)/profit before taxation</b>		(2,425)	2,606
Tax on (loss)/profit	8	(294)	(392)
<b>(Loss)/profit for the financial year</b>		(2,719)	2,214

The notes on pages 32-51 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

<b>Group statement of comprehensive income</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>£000</b>	<b>£000</b>
<b>(Loss)/Profit for the financial year</b>		<b>(2,719)</b>	2,214
Other comprehensive income:			
Gain/(loss) in respect of defined benefit pension scheme	17	<b>(902)</b>	2,461
Exchange differences on retranslation of subsidiary undertakings		<b>(145)</b>	(30)
<b>Total other comprehensive (loss)/gain</b>		<b><u>(1,047)</u></b>	<u>2,431</u>
<b>Total comprehensive (loss)/income for the year</b>		<b><u>(3,766)</u></b>	<u>4,645</u>

The notes on pages 32-51 form an integral part of the financial statements.

## Group statement of financial position

	Note	2023 £000	2022 £000
<b>Fixed assets</b>			
Property, plant and equipment	9	26,568	26,219
<b>Current assets</b>			
Stocks	11	965	328
Debtors: amounts falling due within one year	12	14,839	12,747
Cash at bank and in hand	13	7,291	11,710
		<u>23,095</u>	<u>24,785</u>
<b>Creditors: amounts falling due within one year</b>	14	<b>(13,750)</b>	<b>(11,285)</b>
<b>Net current assets</b>		<u>9,345</u>	<u>13,500</u>
<b>Total assets less current liabilities</b>		<u>35,913</u>	<u>39,719</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(319)</b>	<b>(536)</b>
<b>Net assets excluding pension liability</b>		<u>35,594</u>	<u>39,183</u>
Pension scheme liability	17	(177)	-
<b>Net assets</b>		<u>35,417</u>	<u>39,183</u>
<b>Reserves</b>			
Capital reserve	21	9,066	9,066
Profit and loss account		26,351	30,117
<b>Total members' funds</b>		<u>35,417</u>	<u>39,183</u>

The notes on pages 32-51 form an integral part of the financial statements. These financial statements were approved by the directors and authorised for issue on 25 August 2023 and are signed on their behalf by:

B N Tomlinson

Company number 01622174

## Company statement of financial position

	Note	2023 £000	2022 £000
<b>Fixed assets</b>			
Investments	10	6,073	6,073
<b>Current assets</b>			
Cash at bank and in hand	13	2,036	3,209
		<u>2,036</u>	<u>3,209</u>
<b>Creditors: amounts falling due within one year</b>	14	(2,051)	(2,173)
<b>Net current liabilities/asset</b>		<u>(15)</u>	<u>1,036</u>
<b>Total assets less current liabilities</b>		<u>6,058</u>	<u>7,109</u>
<b>Reserves</b>			
Capital reserve	21	9,383	9,383
Profit and loss account		(3,325)	(2,274)
<b>Total members' funds</b>		<u>6,058</u>	<u>7,109</u>

The Company's loss for the year and total comprehensive profit for the year were (£1,051k) (2022: profit £1,376k).

The notes on pages 32-51 form an integral part of the financial statements. These financial statements were approved by the directors and authorised for issue on 25 August 2023 and are signed on their behalf by:

B N Tomlinson

Company number 01622174

## Group statement of cash flows

	Note	2023 £000	2022 £000
<b>Cash flows from operating activities</b>			
(Loss)/Profit for the financial year		(2,719)	2,214
<b>Adjustments for:</b>			
Loss/gain on revaluation of investment properties		180	(70)
Depreciation of property, plant and equipment		993	1,003
Payments to defined benefit scheme		(725)	(725)
Finance charge on defined benefit pension scheme		-	55
Interest payable		27	20
Interest receivable		(5)	(1)
R&D expenditure credit in other operating expenses		(391)	(645)
R&D tax relief received in cash		910	86
Taxation charge		294	392
(Increase)/ decrease in stock		(637)	67
(Increase) in debtors		(2,772)	(53)
Increase in creditors and provisions		2,513	975
Cash from operations		(2,332)	3,318
Tax paid		(350)	(191)
<b>Net cash generated from operating activities</b>		(2,682)	3,127
<b>Cash used in investing activities</b>			
Purchases of property, plant and equipment		(1,538)	(1,262)
Disposals		16	-
Interest received		5	1
<b>Net cash used in investing activities</b>		(1,517)	(1,261)
<b>Cash used in financing activities</b>			
Repayment of bank loans		(215)	(215)
Interest paid		(29)	(17)
<b>Net cash used in financing activities</b>		(244)	(232)
<b>Net increase in cash and cash equivalents</b>		(4,443)	1,634
Cash and cash equivalents at the beginning of the year	13	11,710	10,107
Effect of exchange rate fluctuations on cash held		24	(31)
<b>Cash and cash equivalents at the end of the year</b>	13	7,291	11,710

The notes on pages 32-51 form an integral part of the financial statements.

## Group and Company statement of changes in equity

Group	Capital reserve £000	Profit and loss account £000	Total £000
At 1 April 2021	9,066	25,472	34,538
Profit for the year	-	2,214	2,214
Other comprehensive loss	-	2,431	2,431
Total comprehensive income for the year	-	4,645	4,645
At 31 March 2022	9,066	30,117	39,183
(Loss) for the year	-	(2,719)	(2,719)
Other comprehensive income	-	(1,047)	(1,047)
Total comprehensive income for the year	-	(3,766)	(3,766)
<b>At 31 March 2023</b>	<b>9,066</b>	<b>26,351</b>	<b>35,417</b>

  

Company	Capital reserve £000	Profit and loss account £000	Total £000
At 1 April 2021	9,383	(3,650)	5,733
Profit for the year	-	1,376	1,376
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,376	1,376
At 31 March 2022	9,383	(2,274)	7,109
(Loss) for the year	-	(1,051)	(1,051)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(1,051)	(1,051)
<b>At 31 March 2023</b>	<b>9,383</b>	<b>(3,325)</b>	<b>6,058</b>

The notes on pages 32-51 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. This assessment has been made with consideration of the potential impacts of the COVID-19 pandemic. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The principal accounting policies of the 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.

## Principal accounting policies

### Turnover and revenue recognition (continued)

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, 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

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 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 & machinery	-	3 to 10 years straight line
Fixtures & 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.

## Principal accounting policies

### 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. Pension 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 2019. In the intervening years the actuary reviews the continuing appropriateness of the rates and assumptions.

The assets of the scheme are held separately from those of the 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 other finance costs. Actuarial gains and losses 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.

## Principal accounting policies

### 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.

##### *Investments in subsidiaries*

Investments in subsidiaries are carried at cost less impairment.

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

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. 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. The effect of the time value of money is not material and therefore the provisions are not discounted

### 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.

## Principal accounting policies

### Short term debtors and creditors

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

### Cash and cash equivalents

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

### Bank loans

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

### Grant income

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

### Deferred taxation

Deferred tax is measured on an undiscounted basis on all timing differences where the transactions or events that give the 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.

## Principal accounting policies

### Accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Operating lease commitments

The Group has entered into commercial property leases as a lessor on its investment property portfolio. The classification of such leases as operating or finance leases requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

#### Revenue recognition

The Group recognises revenue from the provision of services other than rental income 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 2023 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.

## Principal accounting policies

### Accounting judgements and key sources of estimation uncertainty (continued)

#### Pension and other post-employment benefits

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

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

#### Allowance for doubtful debts

Management undertakes a review of all new 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.

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

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

## Notes to the financial statements

### 1 Turnover

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

Group	2023 £000	2022 £000
United Kingdom	7,925	6,123
Asia	11,265	14,073
Europe	2,788	5,973
Rest of world	9,316	5,926
	<u>31,294</u>	<u>32,095</u>

Group	2023 £000	2022 £000
Consulting	22,185	21,881
Software and support	4,138	5,331
Equipment provision and support	4,971	4,883
	<u>31,294</u>	<u>32,095</u>

### 2 Other operating expenses

Group	2023 £000	2022 £000
Raw materials and consumables	6,677	7,499
Staff costs	18,511	17,740
Depreciation	993	1,003
Other operating expenses	9,796	5,576
	<u>35,977</u>	<u>31,818</u>

### 3 Other operating income

Group	2023 £000	2022 £000
Gross rent receivable, catering income and royalties	<u>2,460</u>	<u>2,333</u>

## Notes to the financial statements

### 4 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

<b>Group</b>	<b>2023</b>	2022
	<b>£000</b>	£000
Research and development expenditure credits	<b>(391)</b>	(645)
Research and development expenditure as incurred	<b>1,344</b>	1,369
Foreign exchange (gain)/ loss	<b>(106)</b>	(128)
Depreciation of owned fixed assets	<b>993</b>	1,003
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 parent and consolidated accounts	<b>8</b>	8
- Audit services – statutory audit of associates of the Company	<b>60</b>	46
- Audit services – non-statutory audit of research grant claims	<b>-</b>	15
	<u><b>          </b></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:

<b>Group</b>	<b>2023</b>	2022
	<b>Number</b>	Number
Scientific and other staff	<b>268</b>	259
Administrative staff	<b>18</b>	18
	<u><b>286</b></u>	<u>277</u>

The aggregate payroll costs of the above were:

	<b>2023</b>	2022
	<b>£000</b>	£000
Wages and salaries	<b>15,096</b>	14,658
Social security costs	<b>1,774</b>	1,563
Other pension costs	<b>1,641</b>	1,519
	<u><b>18,511</b></u>	<u>17,740</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.

## Notes to the financial statements

### 6 Directors

Remuneration in respect of directors was as follows:

<b>Group</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Emoluments	728	686
Pension contributions to defined contribution pension plan	86	80
	<u>814</u>	<u>766</u>
	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Emoluments of highest paid director:		
Emoluments	210	211
Pension contributions to defined contribution pension plan	28	27
	<u>238</u>	<u>238</u>

The number of directors to whom retirement benefits are accruing under the defined contribution scheme was 4 (2022: 4).

### 7 Interest payable and similar expenses

<b>Group</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Bank interest receivable	5	1
Interest payable on bank borrowings	(27)	(20)
Finance charge of defined benefit pension scheme (see note 17)	-	(55)
	<u>(22)</u>	<u>(74)</u>

## Notes to the financial statements

### 8 Tax on (loss)/profit

Group	2023 £000	2022 £000
Current tax on income for the year		
UK corporation tax	-	116
Foreign tax	302	293
	<u>302</u>	<u>409</u>
Adjustments in respect of prior years:		
UK corporation tax	(8)	(17)
Total current tax	<u>294</u>	<u>392</u>

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 £391,000 (2022: £645,000) have been credited to other operating expenses in the income statement.

The foreign tax charge in the Income Statement includes amounts relating to HR Wallingford Pty Limited, a wholly owned Australian subsidiary, HR Wallingford Asia Sdn Bhd a wholly owned Malaysian subsidiary and the Italian Branch of HR Wallingford Limited.

#### 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:

	2023 £000	2022 £000
(Loss)/profit before tax	<u>(2,425)</u>	<u>2,606</u>
Tax on (loss)/profit at standard UK corporation tax rate of 19% (2022: 19%)	(461)	495
Effects of:		
Fixed asset differences	31	63
Expenses not deductible for tax purposes	431	29
Income not taxable for tax purposes	(28)	98
Chargeable gains	(34)	13
Adjustments to tax charge in respect of previous periods	(8)	(17)
Group relief claimed	(36)	-
Deferred tax not recognised	152	(371)
Differences in respect of foreign rates	222	82
R&D losses tax credit refund	25	-
	<u>294</u>	<u>392</u>
Total tax charge for the period	<u>294</u>	<u>392</u>

At Spring budget 2021, the Government announced an increase in the Corporation Tax main rate from 19% to 25% for companies with profits over £250,000. Subsequent government budgets have confirmed this increased rate of 25% will be effective from the 1<sup>st</sup> of April 2023.

## Notes to the financial statements

### 9 Property, plant and equipment

Group	Investment property £000	Freehold property £000	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Assets under construction £000	Total £000
Cost or valuation							
At 1 April 2022	11,990	20,012	5,041	777	2,677	416	40,913
Additions	-	38	333	15	984	168	1,538
Disposals	-	-	(20)	(6)	(9)	-	(35)
Transfers	-	274	89	-	-	(363)	-
Revaluation	(180)	-	-	-	-	-	(180)
<b>At 31 March 2023</b>	<b><u>11,810</u></b>	<b><u>20,324</u></b>	<b><u>5,443</u></b>	<b><u>786</u></b>	<b><u>3,652</u></b>	<b><u>221</u></b>	<b><u>42,236</u></b>
Depreciation							
At 1 April 2022	-	8,341	3,804	560	1,989	-	14,694
Charge for the year	-	363	307	32	291	-	993
Disposals	-	-	(9)	(5)	(5)	-	(19)
<b>At 31 March 2023</b>	<b><u>-</u></b>	<b><u>8,704</u></b>	<b><u>4,102</u></b>	<b><u>587</u></b>	<b><u>2,275</u></b>	<b><u>-</u></b>	<b><u>15,668</u></b>
Net book value							
<b>At 31 March 2023</b>	<b><u>11,810</u></b>	<b><u>11,620</u></b>	<b><u>1,341</u></b>	<b><u>199</u></b>	<b><u>1,377</u></b>	<b><u>221</u></b>	<b><u>26,568</u></b>
At 31 March 2022	<u>11,990</u>	<u>11,671</u>	<u>1,237</u>	<u>217</u>	<u>688</u>	<u>416</u>	<u>26,219</u>

Investment properties were revalued on 31 March 2023 by the directors based on a valuation by BNP Paribas Real Estate, Chartered Surveyors. The basis of the valuation was fair value, in accordance with The Royal Institution of Chartered Surveyors Valuation Professional Standards 2014 and the relevant provisions of FRS 102. The loss on revaluation has been recognised in the Income Statement.

The investment method of valuation has been adopted by the valuers, whereby the rental income stream is capitalised at appropriate capitalisation rates based on current comparable investment transactions and an understanding of the office and wider commercial investment market in the UK as at 31 March 2023.

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	(3,339)
Carrying value at 31 March 2023 on historical cost basis	<b><u>3,326</u></b>

## Notes to the financial statements

### 10 Investments

Company	£000
Cost	6,079
Provision for past impairment	(6)
Carrying amount at 31 March 2022 and 31 March 2023	<u>6,073</u>

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

\* Held by HR Wallingford Limited

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

Except as noted, the Company holds directly the entire ordinary share capital of the entities listed.

## Notes to the financial statements

### 11 Stocks

	Group	
	2023 £000	2022 £000
Raw materials and consumables	589	298
Finished goods	376	30
	<u>965</u>	<u>328</u>

### 12 Debtors

	Group	
	2023 £000	2022 £000
Trade debtors	7,581	6,310
Corporation tax recoverable in respect of research & development tax credits	291	802
Other debtors	810	495
Prepayments and accrued income	6,157	5,140
	<u>14,839</u>	<u>12,747</u>

### 13 Cash at bank

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash at bank	<u>7,291</u>	<u>11,710</u>	<u>2,036</u>	<u>3,209</u>

### 14 Creditors: amounts falling due within one year

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Secured bank loans	215	215	-	-
Trade creditors	3,456	863	-	-
Amounts owed to group undertakings	-	-	2,051	2,173
Taxation and social security	322	439	-	-
Other creditors	580	542	-	-
Accruals and deferred income	<u>9,177</u>	<u>9,226</u>	<u>-</u>	<u>-</u>

13,750      11,285      2,051      2,173

## Notes to the financial statements

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

	Group	
	2023	2022
	£000	£000
Secured bank loans	319	533
Accruals and deferred income	-	3
	<u>319</u>	<u>536</u>

The bank loans are secured on the fixed assets which they have financed. Amounts repayable by instalments falling due after more than five years are £27k (2022: £91k).

Bank borrowings mature annually at £215k per annum from 31 March 2023 until 31 March 2025 then £90k to March 2026 and £65k to March 2028 and £16k to March 2029 (2022: £215k per annum from 31 March 2022 until 31 March 2024 then £90k to March 2025 and £65k to March 2028 and £16k to March 2029) bear average variable-rate coupons of 1.8% above the bank's base rate (2022: 2% above the bank's base rate). The Group makes quarterly repayments of the bank borrowings. All bank borrowings are denominated and repaid in pounds sterling.

### 16 Deferred tax assets and liabilities

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.

Deferred tax assets/(liabilities) not recognised:	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Fixed asset timing differences	(2,386)	(2,057)	-	-
Short term timing differences	(166)	112	-	-
Capital gains	(479)	(524)	-	-
Losses and other deductions	887	-	-	-
	<u>(2,144)</u>	<u>(2,469)</u>	<u>-</u>	<u>-</u>

### 17 Pension commitments

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

#### Defined contribution plan

The cost of the Group Personal Pension Plan for the year was £1,641,000 (2022: £1,519,000).

#### Defined benefit scheme

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

## Notes to the financial statements

### 17 Pension commitments (continued)

The most recent comprehensive triennial valuation of the Scheme was carried out at 31 March 2019. The Group has employed an independent actuary to approximately update this valuation, as required by FRS102, allowing for differences between the actuarial assumptions used by the Scheme for funding purposes and those adopted by the Group to measure the Scheme's liabilities on the financial statements, as well as adjusting for benefits paid by the Scheme. The Group paid contributions totalling £0.7m over the period ended 31 March 2023 in respect of payments to repair the funding deficit and the Group is expected to make deficit recovery payments totalling £0.7m over the next year. The Trustees of the Scheme have a charge over certain Group investment properties and related rental income. The value of these properties was £9m at 31 March 2023.

The principal assumptions used by the actuary were:

Assumptions at 31 March	2023	2022
Interest rate for discounting liabilities	4.85%	2.60%
Retail Price Inflation	3.20%	3.55%
Consumer Price Inflation	2.80%	3.10%
Pension increases pre-April 1997	2.80%	3.10%
Pension increases post April 1997	2.80%	3.10%
Mortality:		
Non-pensioner mortality	<b>S3PA tables; year of birth with future improvements in line with CMI 2021</b>	S2PA tables; year of birth with future improvements in line with CMI 2021
Pensioner mortality	<b>S3PA tables; year of birth with future improvements in line with CMI 2021</b>	S2PA tables; year of birth with future improvements in line with CMI 2021
Life expectancy (years):		
Current pensioner aged 65 (male)	21.7	21.6
Current pensioner aged 65 (female)	23.6	23.6
Future pensioner aged 65 in 20 years (male)	23.0	22.9
Future pensioner aged 65 in 20 years (female)	25.1	25.1

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

## Notes to the financial statements

### 17 Pension commitments (continued)

#### Movement in assets and liabilities of the Pension Scheme during the period

	Assets £000	Liabilities £000	Total £000
At 1 April 2022	109,995	(100,717)	9,278
Benefits paid	(3,074)	3,074	-
Employer contributions	725	-	725
Interest income /(expenses) and asset ceiling	2,830	(2,579)	251
Re-measurements included in other comprehensive income			
- Actuarial gains	-	19,921	19,921
- Return on plan assets excluding interest income	(30,352)	-	(30,352)
<b>At 31 March 2023</b>	<b><u>80,124</u></b>	<b><u>(80,301)</u></b>	<b><u>(177)</u></b>

The actual return on assets over the year was (£27,523,000) loss (2022: £7,314,000 gain).

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

	2023 £000	2022 £000
Fair value of scheme assets	80,124	109,995
Present value of scheme liabilities	(80,301)	(100,717)
Surplus / (deficit)	<u>(177)</u>	<u>9,278</u>
Surplus not recognised	-	<u>(9,278)</u>
Asset/(liability)	<u>(177)</u>	<u>-</u>

The Group has determined that it is unlikely to be able to receive economic benefit from the surplus either through reduced contributions in the future or through refunds from the Scheme and hence the surplus has not been recognised on the balance sheet.

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

	2023 £000	2022 £000
<b>Operating cost</b>		
Past service cost		-
Administration expenses	403	308
Subtotal for operating cost		<u>308</u>
Interest income on assets	(2,830)	(2,085)
Interest cost on defined benefit obligations	2,579	2,140
Interest on unrecognised asset	251	-
Subtotal for finance cost	<u>-</u>	<u>55</u>
Total pension cost	<u>403</u>	<u>363</u>

## Notes to the financial statements

### 17 Pension commitments (continued)

Scheme asset categories as at 31 March	2023 £000	2022 £000
Equities	10,577	34,074
Bonds	68,343	75,014
Cash	1,204	907
Total	<u>80,124</u>	<u>109,995</u>

#### Sensitivity to assumptions

The liabilities at 31 March 2023 are £80m; the approximate effects of movements in the main assumptions on this value are shown in the table below:

	Increase by 0.5% £000	Decrease by 0.5% £000
Discount rate increased/decreased by 0.5%	-£4,700	+£5,200
RPI/CPI inflation increased/decreased by 0.5%	+£4,400	-£4,700

### 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 ultimate 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 will pay local corporate income tax where appropriate. No provisions have been made for UK deferred tax for the years ended 31 March 2023 or 31 March 2022. The directors are of the opinion that the application for scientific research status by HR Wallingford Group Limited for the year will 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 2023, these guarantees in relation to drawn balances totalled £1.4m (2022: £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.

## Notes to the financial statements

### 20 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.

### 21 Reserves

Reserves of the Group and Company represent the following:

#### Capital reserve

The capital reserve principally 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 during the current and prior financial year which stood at £9,066,000 at 31 March 2023 (2022: £9,066,000) in the consolidated statement of financial position and £9,383,000 (2022: £9,383,000) in the Company statement of financial position.

#### Profit and loss account

This reserve records the accumulated movements in total comprehensive income.

### 22 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:

	2023	2022
	£000	£000
Not later than one year	1,589	1,774
After one year but not more than five years	1,262	2,646
After five years	-	-
	<u>2,851</u>	<u>4,420</u>

## Notes to the financial statements

### 23 Operating leases as lessee

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

	2023 £000	2022 £000
Not later than one year	75	75
After one year but not more than five years	87	162
	<u>162</u>	<u>237</u>

During the year £73k was recognised as an expense in the Group's profit and loss account in respect of operating leases (2022: £73k).



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