The Welding Institute

2020 Annual Report & Financial Statements

JOINING | INNOVATION | EXPERTISE

Registered Company No: 00405555

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The Welding Institute Information

CHIEF EXECUTIVE

Aamir Khalid

CHAIR

Humbert Mozzi

REGISTERED NUMBER

00405555

REGISTERED OFFICE

Granta Park Great Abington Cambridge CB21 6AL

INDEPENDENT AUDITORS

Peters Elworthy & Moore
Chartered Accountants & Statutory Auditors
Salisbury House, Station Road, Cambridge CB1 2LA

HONORARY PRESIDENT

David Holmes

MEMBERS OF COUNCIL

The Members of Council at the date of approval of these accounts were:

Name	Membership category	First election to membership category
Ammer Jadoon	Industrial	03/07/2021
Amy Kinbrum	Industrial	03/07/2021
Andrew Low	Professional	17/03/2020
Andrew Schofield	Industrial	02/07/2019
Claire Kimpton	Professional	15/09/2020
Daniel Clark	Professional	23/03/2021
Darren Wood	Industrial	17/03/2020
David Wrathmall	Co-opted	17/03/2020
Duncan Steel	Industrial	23/03/2021
Francis Laud	Industrial	17/03/2020
Gareth Hopkin	Professional	23/03/2021
Gary Jones	Industrial	23/03/2021
Georgia Gascoyne	Industrial	17/03/2020
Humbert Mozzi (Chair)	Co-opted	17/03/2020
Ian Perryman	Professional	03/07/2018
John O'Brien	Co-opted	20/11/2019
John Rafferty	Professional	15/09/2020
Kamran Mahmood	Co-opted	23/03/2021
Laura Hughes	Co-opted	17/03/2020
Michael Skyrme	Professional	24/11/2020
Peter Stirling	Industrial	17/03/2020
Peter Stones	Professional	23/03/2021
Qing Lu	Industrial	17/03/2020
Simon Webster	Co-opted	17/03/2020

TWI

Group Strategic **Report**

Introducing
The Welding Institute

The Welding Institute Group (the Group) is one of the world's foremost independent research and technology organisations, with expertise in solving problems in manufacturing, fabrication and whole-life integrity management technologies. The Group has a successful international training and examinations network, which takes technical and practical knowhow to regions which are looking to develop local expertise.

The Group operates in a number of overseas locations across Central Asia, the Middle East, the Indian Subcontinent and the Far East, and has a first-class reputation for service through its teams of internationally respected consultants, scientists, engineers and support staff. The core business of services and training is delivered and administered primarily through The Welding Institute's operating subsidiary The Welding Institute.

The Welding Institute operates management systems which are independently certified by Lloyds Register Quality Assurance to BS EN ISO 9001, for Quality Management Systems, as well as for Health and Safety (BS ISO 45001) and Environment (BS EN ISO 14001). The Group has an investment property portfolio which is managed by its Granta Park Estates Limited subsidiary.

The Welding Institute holds Scientific Research Association status which allows the company to be treated as though it were a charitable company.

Strategic **Objectives**

Our vision is to push the boundaries of technology through collaboration and innovation to provide our Members with the expertise necessary to meet the challenges of tomorrow.

We are a world leader in joining, materials and structural integrity. We develop our people, capabilities and networks to provide Members and stakeholders with independent and authoritative support, innovation and expertise.

This will be achieved through the application of our core values (**Teamwork, Innovation and Expertise, Taking Responsibility, Customer Focus, Adaptability and Inclusion**), and focusing on the following strategic priorities:

1. Growth of direct work with the Institute's Industrial members (Single Client Projects).
2. Targeting specific technologies for exploitation.
3. Expanding overseas in high growth economies, by exploiting our technological and training expertise.
4. Growth through collaboration and innovation - including delivering the Group's existing capabilities to current customers for whom that capability is new.

Business Transformation

A new Chief Executive was appointed in Q1 2019, and in early Q3 2019 the business embarked on an ambitious business transformation project that saw the finance department restructured with enhanced controls and processes established, corporate governance updated, and the introduction of a comprehensive Diversity and Inclusion program. This restructuring underpinned the development of a 5 year strategic plan for the company, providing a scalable financial platform to support future growth.

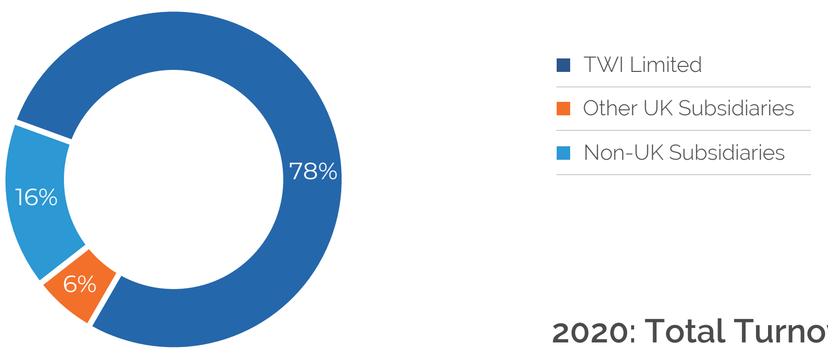
Financial Results

The results of the company are set out on page 33 and show income of £64.7m (2019: £67.2m) and a profit before tax and adjustments of £24.1 (2019: £9.9m). The balance sheet shows a net current asset position of £3.7m (2019: £8.7m) and total reserves of £87.2m (2019: £66.2). Given the extraordinary global events of 2020, this is a strong performance and reflects the business adapting quickly to the new working environment brought about by the pandemic.

Profit & Loss Results

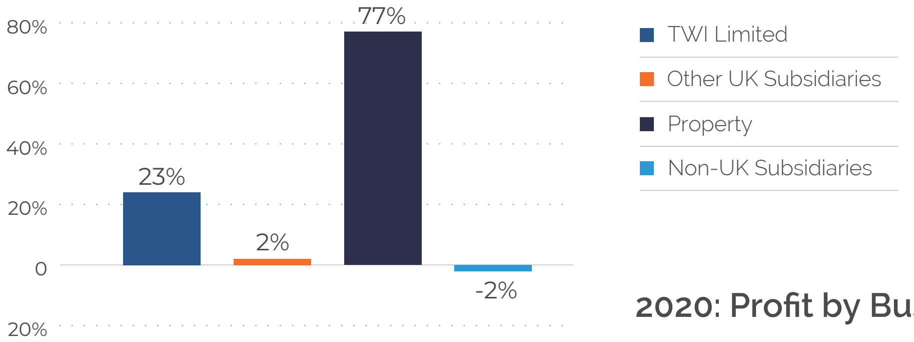
The Welding Institute saw a decrease in turnover from £67.2m in 2019 to £64.7 m in 2020. This was largely due to the impact of Covid-19 on the business. Non-UK subsidiaries were particularly hard hit as the majority of their income is from the provision of training and examinations. The group saw an immediate loss of trade in the training school business due to the closure of classrooms. To mitigate this, examinations and content was digitised; conferences, events and professional development programmes were moved online. Income from training and examinations represented 7% of the Group income in 2020 (2019: 10%).

Operating income (Turnover) from Group companies is represented in the graph below. The majority operating income is generated within TWI Ltd of 78%, with 6% coming from other UK Subsidiaries. Non-UK subsidiaries accounted for 16% of operating income.



2020: Total Turnover

In terms of where profits came from in 2020, the majority was generated by the Property business at 77%, followed by TWI Ltd at 24%. The Non-UK subsidiaries were -2% (reflecting losses), this was offset by the gains in Other UK Subsidiaries at 2%.



2020: Profit by Business

The table below shows that total turnover and other income for the group in 2020 was £97m (2019: £81m).

	2020	2019
Turnover & Other Income	£000	£000
Turnover	64,659	67,212
Other Income - Rents, R&D Credit, Govt Grants,Other	10,621	6,947
Other Income - Profit on disposal of Investment property	-	5,766
Other Income - Fair Value movements	21,751	1,178
Total Turnover & Other Income	**97,031**	**81,103**

Administration expenses increased (2020: £21m, 2019: £16m) due to redundancy costs and prior year impairments on intercompany balances crystallising in 2020. Cost and efficiency savings were made in response to the Covid-19 crisis: a global recruitment freeze was implemented, UK executive staff and some non-UK subsidiary staff members took temporary salary cuts. The Welding Institute ended the year with 754 FTE staff.

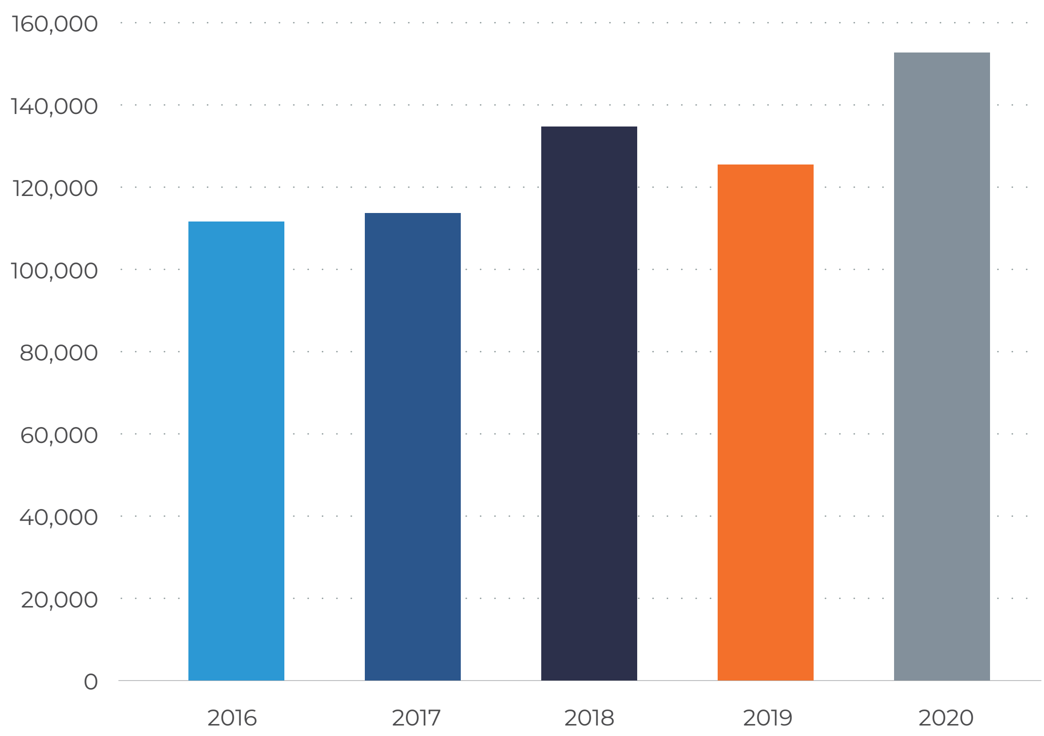
There was additional cost in the year due to enhanced health and safety measures implemented across all business, and in the move to working from home. We saw an increase in the annual leave accrual, as staff deferred holidays due to the travel ban and instead helped the business to ride out the pandemic.

Direct costs reduced (2020: £50m, 2019: £53m) due to the Covid-19 travel restrictions, a lower use of consultants and lower turnover.

Balance Sheet Position

The Welding Institute total assets less total liabilities increased to £87m (2019: £66m). The value of Freehold and Investment Property increased 22% to £147.6m (2019: £120.7m), reflecting significant demand for and growth in science park property in the Cambridge area. The Welding Institute significantly benefited from this growth in 2021 (see Post Balance Sheet Events). In 2020 we recategorised part of the Freehold property as Investment property (2020: £8.5m, 2019: £0) reflecting the change in use.

The graph below shows the 5 year growth of the property assets of the Group. The Group divested part of the holdings in 2019 through the sale of a ground lease.

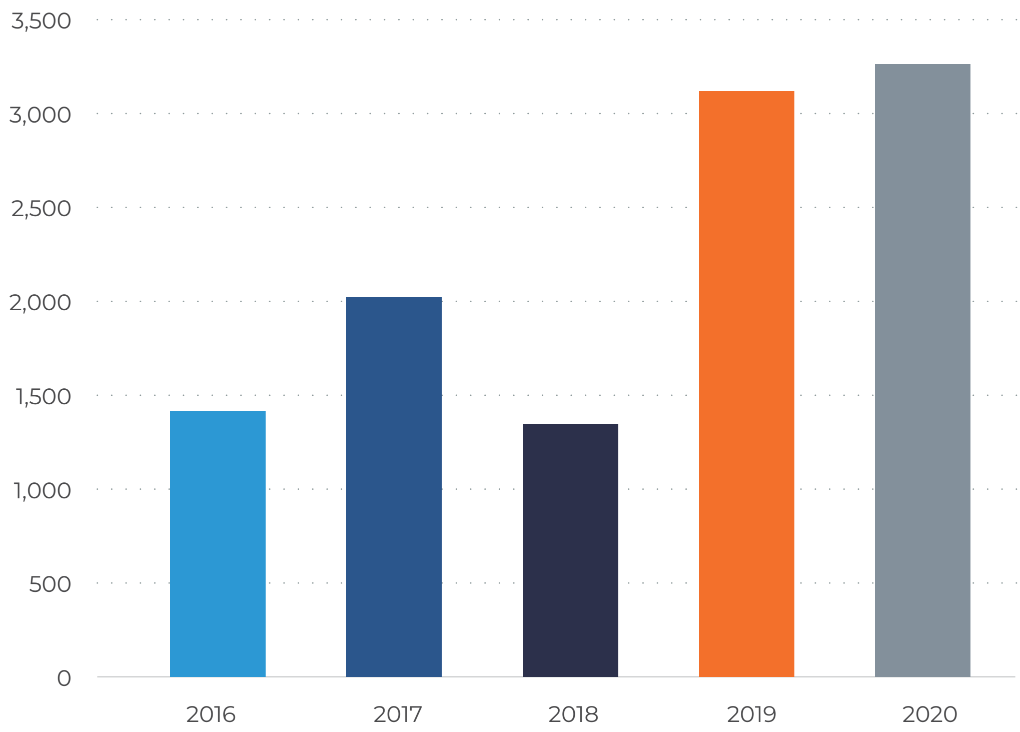


Total Property Portfolio Value (£000s)

Business liquidity was closely monitored throughout the pandemic with monthly review meetings between the Executive Board and Council, used to assess the cashflow position and review actions taken by management to manage liquidity during the crisis.

The Welding Institute started the year in a strong cash position, having taken funds from the sale of a ground lease at the end of 2019. We saw a £16.8m outflow of cash during 2020. Funds were applied to clearing a loan balance of £5.6m initially used to construct 3 buildings in 2013 at our site at Granta Park in Cambridge. A further £3m was spent on Plant &

Machinery acquisitions during the year. We also invested in our infrastructure to move staff to home working, providing tools to allow teams to collaborate remotely with our customers and each other. The graph below shows our investment over the last 5 years in Plant & Machinery, the majority of this has gone towards supporting our regional facilities in the UK.



Total Plant & Machinery Acquisitions (£000s)

Pensions

The Employer (TWI Limited) meets the costs of administration and investment management of The Welding Institute Defined Benefit Pension scheme. The deficit increased from £41.7m to £43.3m in 2020, an increase of £1.6m. The triennial valuation was completed for Dec-2019 and the repayment plan (as agreed with the Trustees and Pension Regulator) remains unchanged. The Welding Institute closed the defined benefit pension scheme to future accruals in Sep 2020.

Principal Risks and Uncertainties

Effective risk management is fundamental to achieving our strategic objectives. The directors regularly monitor key risks and enhance processes and controls so that risks are managed within an acceptable risk appetite. The principal risks faced by The Welding Institute are:

Health and Safety

The well-being of staff and clients is paramount. Health and safety is at the core of all our processes and senior committee reporting. The Welding Institute's work can be hazardous and appropriate controls must be in place before such work commences. Staff are empowered to stop work if they identify any areas that require further mitigation. A 'Zero Harm' culture is in place and HSE metrics are measured monthly and monitored at senior committees.

People Risk

Our reputation is built on the quality of our people and their work. People risk is the risk that ensues when we fail to provide a supportive and collegiate culture. We mitigate people risk through: appropriate remuneration and benefits; wellbeing policies and processes; promoting diversity and inclusion throughout the business; effective leadership; recruiting, managing and developing colleagues; and effective succession management.

Information Security Risk

Information security is how we protect information (data) and information systems from unauthorised access, inappropriate use, disclosure, disruption to operations, modification, or accidental and/or deliberate destruction. The Welding Institute appointed a new chief security officer in 2020 and implemented a security framework which included enhanced information security policies. This framework provides greater information security assurance to The Welding Institute technology users and those third parties for whom we carry out sensitive work.

Financial Risk

Liquidity risk is closely monitored to ensure that banking facilities are sufficient to meet business needs and that liabilities are met as they fall due. Foreign exchange risk is managed by netting out payables and receivables in the same currency wherever possible. Where foreign exchange transactions are required, vanilla foreign exchange products are used. Credit risk is managed by closely monitoring customer payment performance and proactively liaising with customers.

Final Salary Pension Risk

The final salary pension scheme was closed to future accruals in September 2020. The pension deficit continues to be at risk of lower than expected yields on the investments and is sensitive to decreasing discount rates, used to calculate the future liabilities. A deficit recovery plan is in place, and is reviewed every three years where factors including actuarial assumptions, investment performance and deficit contributions to date are considered. The Pension Trustees oversee the performance of the assets under management.

Covid-19

The pandemic has had a significant impact on the global economy and poses a risk to The Welding Institute, which we have mitigated by stress testing cashflows and putting in place contingent financing (which has not been utilised to date).The current uncertainty around the scale, timing and impact of future Coronavirus variants means it is difficult at this time to accurately quantify the level of risk associated with the pandemic.

Brexit

The UK formally left the EU on 31 January 2020 and entered a transition period which ended on 31 December 2020. The direct impact on The Welding Institute has been assessed and is manageable. European orders are a relatively small portion of the Single Client Projects order book. For Collaborative Projects, as the UK has obtained Associated Country status from the European Commission, The Welding Institute remains eligible to participate in the Horizon Europe programme with the exception of the European Innovation Council instruments. This is a positive outcome from the negotiations and we will continue to work with our European research partners.

Staff retention risk has been assessed and mitigation measures are in place. We have assessed import / export and supply chain factors and have no significant concerns. We are working with the CBI to understand the Government's developments in relation to visas for specialist roles so that we can continue to recruit the world's best talent.

Geopolitical Risk

The uncertainty associated with working internationally, and more specifically the degree to which uncertainties could lead to losses for The Welding Institute. These uncertainties can arise from factors including: political (including sanctions), economic, exchange-rate, or changes in taxation.

Key Performance **Indicators**

Our Key Performance Indicators (KPIs) are selected to monitor both financial performance and the projects that we undertake, reflecting the overall strength of the company.

These indicators provide a detailed focus on the key elements of the business and measure progress against the company's strategic objectives. The KPIs and performance targets are reviewed and updated annually.

Emissions and **Carbon Energy**

This is the first year of mandatory reporting under the Streamlined Energy & Carbon Reporting (SECR). The Welding Institute have however reported energy and emissions now for several years. Between 2019 and 2020 there was a reduction in both total emissions and relative emissions, when compared against turnover and Full Time Equivalent (FTE) members of staff. Relative group emissions of FTE reduced by 25% between 2019 and 2020 and emissions per £100,000 of turnover fell by almost 26%. The Covid-19 pandemic has had an impact on emissions in 2020. Staff travel was significantly reduced during 2020. As 84% of the Group operations are within the UK (based on turnover), the data for this reporting is based on the UK consumption. TWI Ltd represents 93% of the UK operations.

Quantification and Reporting Methodology

HM Government 'Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance (March 2020)' has been used for the collation of data sources and reporting of emissions. 'UK Government GHG Conversion Factors for Company Reporting' has been used for the reporting of emisions, using the 2020 version. Fugitive emissions from refrigerants adopts the screening method in annex C of the guidance.

The scope of reporting covers all UK energy use, which involves:

- Combustion of gases (natural gas, methane, propane, butane, hydrogen etc.)
- Purchase of electricity for the companies own use
- Transport (Fuel used in company cars/ fleet vehicles/ personal and hire cars which are operated on business use, fuel used in aircraft, trains, ships and onsite transport such as forklift trucks)
- Any significant business activity contributing to environmental emissions

Emission Sources, Energy Use and Carbon Emissions

Emissions source		Operational Area	Energy (kWh)	Emissions (tCO2e)
Direct emissions arising from owned or leased stationary sources that use fossil fuels		Combustion of Natural Gas	**3,648,332**	**670.82**
Direct emissions arising from owned or leased stationary sources that emit fugitive emissions		Refrigeration		**73.86**
Direct emissions from owned or leased mobile sources		Pool Cars	**222,283**	**45.93**
		Company Cars	**72,305**	**7.36**
		Diesel for maintenance vehicles	**10,742**	**2.76**
		Liquid Petroleum Gas for Fork-Lifts	**2,960**	**0.64**
Emissions from the generation of purchased electricity		Electricity	**9,743,150**	**2,271.52**
Energy consumed by self-generated supplies		Solar PV	**119,877**	**0**
Purchased goods and services	Water supplied to organisation	Potable Water		**3.86**
Fuel and energy related activities	Transmission and distribution losses	Electricity		**195.35**
Waste generated in operations	Wastewater	Wastewater		**0.09**
	Other waste and recycling	Waste		**18.14**
Business travel	All transportation by air, public transport (rail), chauffeured vehicles and taxis	Air Travel	**970,965**	**240.62**
		Rail Travel	**23,064**	**5.83**
		Hire Cars	**177,446**	**43.99**
		Taxi's & Chauffeured Cars	**21,703**	**6.39**
	Personal lease cars	Grey Fleet	**12,754**	**3.16**
	Employee owned cars	Grey Fleet	**Insignificant**	**Insignificant**
Total			**15,025,581**	**3,590.32**

Energy Efficiency Actions

In the financial period 2020 The Welding Institute have helped to minimise energy consumption by:

- Continuing its site wide upgrade of the lighting to LEDs in two of its main buildings at Head Office.
- Investing in improved video conferencing facilities for remote meetings allowing all office staff to work from home. There has been a reduction in staff travelling between the regional and overseas offices due to these improved facilities.
- At TWI Middlesbrough, all non-essential equipment was switched off during the lockdown periods and ring mains isolated to areas that were unoccupied. Minimal heating was also provided to areas that were permanently unoccupied and air-conditioning temperatures were continually adjusted throughout the lockdown periods as and when staff were present on site. Furthermore, the Middlesbrough Dive Tank was out of use during this period, so plant was set to Low Flow, further reducing consumption.

Board Decision **Making** (s172 statement)

All Members of Council are registered Directors of The Welding Institute and recognise their duty to act in good faith, and in a manner which would most likely promote the success of the group for the benefit of its members as a whole. When making decisions, the directors consider the interests of all key stakeholder groups and seek to arrive at decisions which do not adversely impact those groups as a whole.

For the purpose of decision making, the directors have identified a number of key stakeholder groups, have evaluated their interests and have engaged with and responded to those stakeholders during the year:

Employee Engagement

As one of the world's leading independent research and technology organisations, we are committed to attracting, motivating and retaining the best talent from around the world. Our goal is to develop the next generation of experts to address future industry challenges.

The Welding Institute Group implemented a number of effective employee engagement mechanisms in 2020. Employees are kept informed of performance and strategy through regular presentations and updates from the Chief Executive and members of the Executive Board.

Our 2020 engagement was considerable, as we actively took steps to explain performance issues, staffing changes and the impact of COVID-19 on our operations. Throughout the year we provided updates on our strategic priorities and performance through a broad range of communication channels including meetings, emails, videos, intranet, webinars, virtual town halls and employee publications. As you would expect, we significantly stepped up communication to all The Welding Institute Group staff during the Covid-19 crisis, so that employees understood how The Welding Institute was responding to the situation. We also ensured that staff were made aware of the latest health and safety advice from governments and public

health bodies. We conducted a number of staff surveys and the feedback told us that during the prolonged lockdown period, employees had adjusted well to new ways of working.

The Head of HR attends certain meetings of the Executive Board to brief on employee related matters, including workforce demographics, engagement activities, results of employee opinion surveys, staff retention rates, diversity, disciplinary and grievance procedures, learning and development activity, pay and reward including gender pay gap and HR initiatives. The directors consider that these arrangements deliver an effective means of ensuring the Executive Team stays alert to the views of the workforce.

Council engaged more regularly with the Executive Board throughout 2020. Business liquidity was closely monitored throughout the pandemic with monthly review meetings between the Executive Board and Council. Key decisions are taken in consultation with Council, including the action taken on redundancies in response to the Covid-19 crisis, and the significant post balance sheet asset divestment.

Diversity

We are committed to creating a culture that recognises and respects the differences between people while valuing the contribution everyone makes to The Welding Institute Group. The diversity of our staff and students make a positive and important contribution to our continuing success.

Our D&I Statement underpins our D&I Strategy and forms our long-term mission. We recognise that a diverse and inclusive workforce provides a wealth of talent that will help us develop the next generation of experts to address future industry challenges. Our employees should reflect the society we seek to serve, they provide the diversity required to find innovative solutions for customers, and create a workforce that feels engaged and empowered to achieve to the best of their ability. Our D&I strategy provides the direction to shape an inclusive culture at The Welding Institute and play a crucial role in shaping the world around us.

The Welding Institute encourages an environment in which diversity is valued. An important part of putting this into practice is a commitment to prohibit discrimination on any grounds in all employment matters, including that of disability. We seek to increase employment opportunities for people who have a disability and to ensure that recruitment and selection processes are fully accessible.

At The Welding Institute we understand that many staff are carers for more vulnerable members of society and to that end we look to provide flexible working arrangements to allow staff to effectively manage both work and domestic commitments.

The Welding Institute considers that the safety and wellbeing of staff is pivotal in our business decisions. We have a dedicated department to oversee the health and safety of all our staff. The health and safety of our staff is not just the physical well-being, but also includes mental wellbeing and to that end, staff have access to an Occupational Health Advisor, a Wellbeing Committee and an Employee Assist Programme.

Attracting and retaining women with careers in engineering is a key driver in our 5 year strategy. We have a commitment to reduce the gender pay gap and have a third of female representation in leadership roles by 2025. In 2019 The Welding Institute launched a Women in Leadership programme to encourage more women into management positions. This initiative is ongoing and part of the D&I program.

The Welding Institute sponsors the Tipper Group, a staff led D&I committee, which holds events and networking opportunities to raise awareness of D&I within our global company and within our Industrial partners' network.

The Welding Institute Group provides regular appraisal, training and subsidised education to staff. We promote transparency and communication across all levels of the business, through weekly news briefings, monthly employee engagement newsletters, frequent business updates from the CEO, monthly executive briefings, and our comprehensive intranet resource. We have an active Staff Consultation Committee to ensure that all staff have a voice. The business consults regularly with the Committee to ensure any staff feedback is considered and factored into decision making. We have employed a dedicated communications lead, recognising the necessity of robust communications as we change our working practices following the pandemic.

The Chief Executive actively promotes our people strategy and speaks openly at forums to support inclusion and is committed to putting D&I at the heart of our people practices. We believe that the work our staff do plays a crucial role in shaping the world around us, working with the Institute's members to find sustainable solutions to the biggest engineering challenges our world faces.

Environmental Matters

The most carbon intensive areas of operations are the consumption of electricity, and business travel. The Welding Institute Group is committed to understanding and reducing its environmental impacts year on year.

Annually TWI Ltd reports on its greenhouse gas emissions and also participates in the Energy Savings Opportunity Scheme (ESOS) from which a number of recommendations for improving energy effciency have been implemented across its facilities. The Executive Board supports the company's goals and initiatives with regard to reducing adverse impacts on the environment and intends to give further consideration in 2021 to the company's approach to climate change and further measures we can take to contribute to the reduction of our impact on the environment.

The Welding Institute supports a number of different environmental sectors and is working with large companies and SMEs to help drive technological improvements and innovation in these areas. Growth areas for The Welding Institute include pioneering research in geothermal resources to improve the effciency of geothermal heat and power systems, supporting the automotive and aerospace industries through various e-mobility solutions and its continued provision of technical support for the renewables sector including research into concentrating solar power (CSP).

The Welding Institute will continue to take an active role in managing its own environmental impact as well as influencing the wider industry through our expertise and the advice that we provide to our customers.

Customer Engagement

The Welding Institute focusses on delivering excellent service and meeting or exceeding expectations is at the heart of everything we do. Each month we review our performance using Client Satisfaction Surveys. We continuously engage with the Institute's members throughout the project lifecycle, using enhanced CRM tools to monitor all communications, and are backed by an extensive commercial team which oversees the work ensuring work is delivered on time and within budget.

Members' experiences do not fall just to our project and commercial teams, colleagues across the entire business are involved in creating exceptional service. Our goal is to solve the challenges of members, so we align strategically with their needs and invest heavily in technical resource, equipment and capacity. This positioning is reflected in our 5 year strategy, which is driven by the future needs of members - it is important we engage and understand the factors that influence their industries.

Supplier Engagement

Given the range of projects we work on, the ability to source materials and resources effciently is imperative. We have a specialist purchasing department which secures our supply chain to ensure it can continue to meet the demands of the business. We actively engage and have long established relationships with our suppliers. We acknowledge that our business contributes to the local and wider community, we have an indirect corporate responsibility to this economic supply chain. Our Diversity and Inclusion initiative is being driven across the business, in instances where we are tendering for new services/ suppliers we embed an element of this to the selection process. We want to deal with suppliers who are aligned to our values.

Post Balance Sheet Events

COVID-19

On 30 January 2020 the World Health Organisation announced Covid-19 as a global health emergency, and announced it to be a global pandemic on 11 March 2020. Following two lockdowns, the UK Government announced wider Tier 4 restrictions on 26 Dec 2020 and England entered a third national lockdown on 4 January 2021. To date this lockdown has had limited financial impact, any material impacts in 2021 are likely to derive from the consequences of change in the global economy (such as discount rate movements which effect the valuation of the defined pension scheme liabilities). As such, no adjustment has been made in our 2020 financial statements.

Divestment

TWI Group benefited from a substantial gain on the divestment of a non-income generating asset in Q3 2021, which impacted the cash position favourably. The injection of funds will be used to discharge the overdraft facility held with Barclays Plc and to accelerate the growth plans of the business. The value of the Group reserves of £87m at Dec 2020 is expected to increase by 70% in 2021 due to the divestment.

The executive team took a number of significant steps to put the business on a stable footing in 2020 and this involved considerable sacrifice from staff. The executive team is grateful for the hard work and loyalty shown. We will use the proceeds of sale to:

- invest in our staff and attract the best candidates;
- invest in technology, research, infra-structure;
- accelerate the business transformation initiatives started pre-pandemic;
- build an even greater legacy to support our Members and the very important contribution they make to Society.

Looking Forward

We look forward to 2021 with great expectation and hope for a healthier and more secure future for our people and our communities. Covid-19 has tested us as a business and as a community, these challenges will continue into 2021 and beyond. Because of these challenges, we are stronger and more resilient and are resolved to make the business sustainable for the future by delivering on our 5 year strategy.

We've set our sights on driving the changes necessary to build the future we want. In 2021 we will establish an internal audit function in collaboration with Price Waterhouse Coopers, we will utilise our global footprint and take advantage of the lower cost bases in our international offices. We look forward to the 'Living Our Values Campaign' in 2021, a Diversity and Inclusion initiative. We also look forward to significant digital transformation in 2021 with many of our systems due to be upgraded or replaced. These new systems will provide efficiency through automation and ultimately improve our bottom line.

We began 2021 with a healthy order book, and are grateful for the ongoing support of The Welding Institute Members in continuing to place work with us. The Executive Team is confident that our people and business have the ability to rise to meet the challenges ahead and embrace the opportunities - for the benefit of our members, staff and our stakeholders.

This report was approved by Council and signed on its behalf.

Humbert Mozzi, Chair of Council
Date: 22 September 2021

Council's **Report**

The Council presents its report and the financial statements for the year ended 31 December 2020.

Council's Responsibilities **Statement**

The Council is responsible for preparing the Group Strategic Report, the Council's Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Council to prepare financial statements for each financial year. Under that law the Council has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Council must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Institute and the Group and of the profit or loss of the Group for that period.

In Preparing these financial statements, the Council is required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Council is responsible for keeping adequate accounting records which reflect the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Institute and the Group and to enable it to confirm that the financial statements comply with the Companies Act 2006. The Council is also responsible for safeguarding the assets of the Institute and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HONORARY OFFICERS AND MEMBERS OF COUNCIL

The Members of Council serving at the date of signing this statement are shown at the start of the document. Changes of Members of Council since the date of the last financial statement are as follows:

Members of Council elected, re-elected or co-opted since 20 September 2020 were:

Ammer Jadoon
Amy Kinbrum
Claire Kimpton
Daniel Clark
David Panni
Duncan Steel
Gareth Hopkins
Gary Jones
Georgia Gascoyne
Humbert Mozzi
John Rafferty
Kamran Mahmood
Michael Skyrme
Peter Stones
Qing Liu

The following Council Members completed their terms of office or resigned after 20 September 2020:

Andrew MacDonald
David Mallaburn
David Millar
Gary Haddon
Iain Boyd
Ihsan Al-Taie
Jeff Garner
Norman Cooper
Ruth Boumphrey
Salim Taoutaou
Stephen Webster
Steve Beech
Steve Jones

FINANCE AND GENERAL PURPOSES COMMITTEE

The Members of the Finance and General Purposes Committee serving at the date of signing this statement are as follows:

Chair

Humbert Mozzi

Members

Francis Laud

John O'Brien

John Rafferty

Kamran Mahmood

Peter Stones

Simon Webster

The following Members of the Finance and General Purposes Committee completed their terms of office or resigned after 22 September 2021:

Jeff Garner

Nigel Knee

Norman Cooper

Paul Tooms

Stephen Webster

AUDIT COMMITTEE

The Audit Committee meets at least twice a year and is responsible for reviewing financial and non-financial controls, evaluating areas of risk, considering regulatory and accounting requirements for the group, and overseeing relationships with external auditors.

At the date of signing this statement the members of the Audit Committee are:

Chair

David Wrathmall

Members

Francis Laud

Georgia Gascoyne

DISCLOSURE OF INFORMATION TO AUDITORS

The Council at the time of approving this report confirm that:

- so far as they are aware, there is no relevant audit information of which the auditors are unaware, and
- they have taken all the steps that ought to have been taken as a Council in order to be aware of any relevant audit information and to establish that it has been communicated to the auditors.

Humbert Mozzi
Chair of Council
Date: 22 September 2021

Independent Auditors' **Report**

TWI

REGISTERED NUMBER: 00405555

Opinion

We have audited the financial statements of The Welding Institute (the 'parent Institute') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Group Statement of Comprehensive Income, the Group and Institute Balance Sheets, the Group Statement of Cash Flows, the Group and Institute Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 Institute's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Council's 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 Institute'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 Members 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 Auditors' Report thereon. The Members are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 Group Strategic Report and the Council's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Group Strategic Report and the Council's 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 Institute and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Council's 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 Institute, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Institute financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Members' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of Members of Council

As explained more fully in the Council's Responsibilities Statement on page 24, the Members 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 Members determines 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 Members are responsible for assessing the Group's and the parent Institute'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 Members either intend to liquidate the Group or the parent Institute or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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 Group financial statements.

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting correspondence available; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur by:

- making enquiries of management as to where they considered there

was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions:
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities, including fraud and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence made available to us such as that correspondence with HMRC, relevant regulators and the company's legal advisors (where applicable).

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of Our Reports

This report is made solely to the Institute'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 Institute's Members those matters we are required to state to them in an Auditors' 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 Institute and the Institute's Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Warren Tilbury (Senior Statutory Auditor)

For and on behalf of
Peters Elworthy & Moore

Chartered Accountants Statutory Auditors
Salisbury House, Station Road,
Cambridge

CB1 2LA

Date: 28 September 2021

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020	2019
		£000	£000
Turnover	4	**64,659**	67,212
Cost of sales		**(50,420)**	(53,277)
GROSS PROFIT		**14,239**	13,935
Administrative expenses		**(20,939)**	(16,140)
Other operating income	5	**10,621**	12,713
Fair value movements	14	**21,751**	1,178
Other operating charges	6	**(5)**	615
OPERATING PROFIT	6	**25,667**	12,301
Amounts written off investments		-	(35)
Interest payable and expenses	9	**(721)**	(1,155)
Other finance costs	10	**(824)**	(1,188)
PROFIT BEFORE TAXATION		**24,122**	9,923
Tax on profit	11	**(4,554)**	620
PROFIT FOR THE FINANCIAL YEAR		**19,568**	10,543
Unrealised surplus on revaluation of tangible fixed assets	12	**4,935**	1,366
Deferred tax on revaluation of tangible fixed assets	24	**(481)**	(223)
Actuarial losses on defined benefit pension scheme	28	**(3,915)**	(872)
Movement of deferred tax relating to actuarial losses	24	**743**	(834)
Movement on foreign exchange reserve	26	**122**	(343)
Total Other Comprehensive Income for the Year		**1,404**	(906)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,972**	9,637
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent Institute		**19,568**	10,543
Total		**19,568**	10,543

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 39 to 62 form part of these financial statements.

Consolidated Balance Sheet as at 31 December 2020

Company number: 00405555

	Note	2020 £000	2019 £000
FIXED ASSETS			
Tangible assets	12	**98,374**	100,638
Investment property	14	**63,584**	32,881
Total Fixed Assets		**161,958**	133,519
CURRENT ASSETS			
Stocks	15	**250**	270
Debtors: amounts falling due after more than one year	16	**8,241**	9,642
Debtors: amounts falling due within one year	16	**36,986**	33,736
Cash at bank and in hand	17	**12,068**	16,564
Total Current Assets		**57,545**	60,212
Creditors: amounts falling due within one year	18	**(53,803)**	(51,487)
NET CURRENT ASSETS		**3,742**	8,725
TOTAL ASSETS LESS CURRENT LIABILITIES		**165,700**	142,244
Creditors: amounts falling due after more than one year	19	**(19,672)**	(24,473)
PROVISIONS FOR LIABILITIES			
Deferred taxation	24	**(15,413)**	(9,779)
NET ASSETS EXCLUDING PENSION LIABILITY		**130,615**	107,992
Pension liability	28	**(43,377)**	(41,726)
NET ASSETS		**87,238**	66,266
CAPITAL AND RESERVES			
Freehold property revaluation reserve	26	**31,567**	27,113
Foreign exchange reserve	26	**1,841**	1,719
Profit and loss account	26	**53,830**	37,434
TOTAL CAPITAL & RESERVES		**87,238**	66,266

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

Humbert Mozzi - Chair of Council
Date: 22 September 2021

The notes on pages 39 to 62 form part of these financial statements.

Institute Balance Sheet as at 31 December 2020

Company number: 00405555

	Note	2020	2019
	Note	**£000**	£000
FIXED ASSETS			
Investments	13	**10,358**	10,358
CURRENT ASSETS			
Debtors: amounts falling due within one year	16	**3,735**	12,445
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,093**	22,803
NET ASSETS		**14,093**	22,803
CAPITAL AND RESERVES			
Profit and loss account brought forward		**22,803**	14,751
Profit/(loss) for the year		**(8,710)**	8,052
Profit and loss account carried forward		**14,093**	22,803
TOTAL CAPITAL AND RESERVES		**14,093**	22,803

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

Humbert Mozzi - Chair of Council
Date: 22 September 2021

The notes on pages 39 to 62 form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

	Freehold property revaluation reserve	Foreign exchange reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018	25,970	2,062	(3,517)	32,114	56,629
Profit for the year	-	-	-	10,543	10,543
Actuarial losses on pension scheme	-	-	-	(1,706)	(1,706)
Net surplus on revaluation of freehold property	1,143	-	-	-	1,143
Movement on foreign exchange reserve	-	(343)	-	-	(343)
Realised gain on hedging instruments	-	-	3,517	(3,517)	-
At 1 January 2019	27,113	1,719	-	37,434	66,266
Profit for the year	-	-	-	19,568	19,568
Actuarial losses on pension scheme	-	-	-	(3,172)	(3,172)
Net surplus on revaluation of freehold property	4,454	-	-	-	4,454
Movement on foreign exchange reserve	-	122	-	-	122
AT 31 DECEMBER 2020	**31,567**	**1,841**	**-**	**53,830**	**87,238**

The notes on pages 39 to 62 form part of these financial statements.

Institute Statement of Changes in Equity for the Year Ended 31 December 2020

	Profit and loss account	Total equity
	£000	£000
At 1 January 2019	**14,751**	**14,751**
Profit for the year	8,052	8,052
At 1 January 2020	**22,803**	**22,803**
Loss for the year	(8,710)	(8,710)
AT 31 DECEMBER 2020	**14,093**	**14,093**

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	2020	2019
	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	**19,568**	10,543
ADJUSTMENTS FOR:		
Depreciation of tangible assets	**2,222**	3,230
Loss on disposal of tangible assets	**86**	251
Interest paid	**721**	1,127
Taxation charge	**127**	(620)
Decrease in stocks	**20**	-
Decrease /(Increase) in debtors	**1,741**	(4,314)
(Decrease) in creditors	**(9,283)**	2,729
Government grants	**187**	(2,503)
(Decrease) in net pension assets/liabs	**(1,521)**	(3,724)
Net fair value (gains) recognised in P&L	**(21,751)**	(1,178)
Corporation tax received	**1,436**	1,371
NET CASH GENERATED FROM OPERATING ACTIVITIES	**(6,447)**	6,912

	2020	2019
	£000	£000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	**(3,662)**	(3,477)
Purchase of investment properties	**(417)**	(30)
Sale of investment properties	**-**	17,295
HP interest paid	**(118)**	(128)
Movement in foreign exchange reserve	**122**	(343)
Foreign exchange translation adjustment on fixed assets	**18**	42
Amounts written off investments	**-**	35
NET CASH FROM INVESTING ACTIVITIES	**(4,057)**	13,394

CASH FLOWS FROM FINANCING ACTIVITIES		
New secured loans	**-**	9,950
Repayment of loans	**(5,693)**	(6,503)
Repayment of other loans	**-**	(400)
Interest paid	**(603)**	(999)
Movement on financial instruments	**-**	(3,396)
NET CASH USED IN FINANCING ACTIVITIES	**(6,296)**	(1,348)

(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(16,800)**	18,958
Cash and cash equivalents at beginning of year	**14,598**	(4,360)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**(2,202)**	14,598

CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	**12,068**	16,564
Bank overdrafts	**(14,270)**	(1,966)
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	**(2,202)**	14,598

The notes on pages 39 to 62 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2020

1. Accounting Polices

1.1 Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Institute has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £000.

The following principal accounting policies have been applied:

1.2 Company Status

The Company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

1.3 Basis of Consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

1.4 Going Concern

The business is in a net current asset position and the financial statements have been produced on a going concern basis. The directors consider that the Group has sufficient financial resources, which include property assets plus banking facilities. The bank increased the sterling overdraft facility during 2020 from £14m to £16m (the £2m increase for a 6 month term from 1st October 2020) to mitigate risks including the impact of Covid-19 and Brexit on the Group's business model.

The directors have reviewed the company's expenditure requirements and expected cash flows with regard to the financial strategy. Having reviewed the forecast model for 2021 and given the substantial cash injection from asset divestment in Q3 2021, the directors have formed a judgement that, at the time of approving the financial statements, there is a reasonable expectation that The Welding Institute has adequate resources, and is expected to continue in operational existence for a period of at least 12 months from the date of issue of the financial statements. Accordingly, they have adopted the going concern basis in preparing the report and accounts.

1.5 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue from contracts is recognised by the stage of completion on each contract.

Income Recognition

- Turnover from the provision of engineering and consultancy services is recognised in the accounting period in which the services are rendered. The majority of contracts are fixed-price, where turnover is recognised based on the proportion of deliverables provided to the client with an adjustment if the project is forecast to overrun. Turnover is measured and recognised using the contractual fee rates of the project. Estimates of turnover or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated turnovers are reflected in the profit or loss statement in the period in which the circumstances that give rise to the revision become known by management. The customer pays for the value of services provided based on an invoicing and payment schedule. Consideration is payable when invoiced based on contractual payment terms.
- Turnover from training services is recognised when the course is delivered to the candidate. Where the course is yet to be delivered income is deferred and recognised as a liability on the balance sheet.
- Group provides services to the European Commission for Collaborative Projects. The Group receives cash from the European Commission which are pass through funds solely for the purpose of payment to project partners. These monies are pass through funds held on behalf of the client/partners for which no turnover is recognised.
- Subscription income for membership services provided over an annual contractual period is recognised in the income statement on a straight-line basis over the period of the contract.

- Product and associated Turnover is recognised upon the transfer of control of promised products or services and for the majority of Turnover, transfer of control occurs once the product has shipped.
- The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as liabilities on the balance sheet. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises an asset on the balance sheet.

1.6 Tangible Fixed Assets

Land and buildings are carried at fair value at the date of the revaluation less subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

Other tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	Over the period of the lease
Plant, machinery and motor vehicles	10%, 20% or 33.33%
Fixtures, fittings and office equipment	20%
Computer equipment	50%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Items of equipment purchased for specific research projects are not depreciated but are charged to revenue expenditure in full in the year of acquisition.

1.7 Impairment of Fixed Assets and Goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.8 Investment Property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

1.9 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.12 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1.13 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.14 Hedge Accounting

The Company uses variable to fixed interest rate swaps to manage its exposure to cash flow risk on its loans. These derivatives are measured at fair value but no adjustment is made for this as it is immaterial to the financial statements.

1.15 Pensions

Defined Contribution Pension Plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined Benefit Pension Plan

In the financial year, the Company operated a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a. the increase in net pension benefit liability arising from employee service during the period; and
b. the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

1.16 Financial Instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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.

1.18 Government Grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

1.19 Foreign Currency Translation

Functional and presentation currency

The Institute's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to income are recognised in turnover. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other operating charges'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place.

All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

1.20 Finance Costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.21 Borrowing Costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

1.22 Current and Deferred Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Institute and the Group operate and generate income.

Deferred tax balances are recognised

in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.23 Research and Development

Research and development expenditure is written off in the year in which it is incurred. Any tax credit receivable under the large company R & D tax scheme is included as operating income.

2. Judgements and Key Sources of Estimation Uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- Defined Benefit pension scheme - the pension scheme is included at fair value, based on professional advice received.
- Depreciation on fixed assets - Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.
- Fair value of land and buildings - land and buildings are included at fair value, based on professional advice received.
- Provisions - provisions are made for trade and group debts considered to be irrecoverable once they exceed payment terms.
- Project income - income on contracts is recognised based on the estimated stage of completion.

No other significant judgements have been made by management in preparing the financial statements.

3. General Information

The Welding Institute is a company limited by guarantee incorporated in England & Wales. The Company's registered office is disclosed on the company information page.

The Welding Institute is governed by the Council Members and is not under the control of any one individual.

4. Analysis of turnover by class of business

	2020	2019
	£000	£000
Analysis of turnover by class of business		
Membership subscriptions	18,032	12,789
Contracts	35,058	31,459
Training, examination, certification and other	11,569	22,964
Total	64,659	67,212
Analysis of turnover by country of destination		
United Kingdom	34,483	24,243
Rest of Europe	6,996	13,277
Rest of the world	23,180	29,692
Total	64,659	67,212

5. Other Operating Income

	2020	2019
	£000	£000
R&D expenditure credit	1,942	1,959
Net rents receivable	2,408	2,485
Job retention scheme	1,382	-
Profit on disposal of investment property	-	5,766
Goverment grants released	4,889	2,503
Total	10,621	12,713

Job retention scheme represent amounts receivable under the Coronavirus Job Retention Scheme (CJRS) of £1,382,000 (2019 - £NIL) to cover salaries of furloughed staff.

6. Operating Profit

	2020	2019
	£000	£000
The operating profit is stated after charging:		
Research & development charged as an expense	15,230	16,328
Exchange (gain)/loss recognised in other operating charges	5	(615)
Depreciation of tangible fixed assets	2,222	3,230
Operating lease costs	763	2,699
Defined contribution pension cost	2,909	2,177

7. Auditors' Remuneration

	2020	2019
	£000	£000
FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:		
Audit of the Group's annual accounts	**15**	16
Audit of the Subsidiaries' annual accounts	**81**	76
Other assurance services	**96**	127
Other services relating to taxation	**41**	27
All other services	**9**	16
FEES PAYABLE TO OTHER AUDITORS IN RESPECT OF:		
Audit of the overseas Subsidiaries' annual accounts	**60**	-

8. Employees

	Group	Group	Institute	Institute
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Staff costs were as follows:				
Wages and salaries	**29,873**	30,561	**-**	-
Social security costs	**2,438**	3,051	**-**	-
Cost of defined benefit scheme	**1,869**	2,381	**-**	-
Cost of defined contribution scheme	**2,960**	2,177	**-**	-
Total	**37,140**	38,170	**-**	-

During the year no Members of Council received any emoluments (2019 - £NIL).

The average monthly number of employees during the year was as follows:

	2020	2019
	No.	No.
Employees	**796**	756

9. Interest Payable and Similar Charges

	2020	2019
	£000	£000
Bank interest payable	**-**	21
Mortgage interest payable	**603**	1,006
Finance leases and hire purchase contracts	**118**	128
Total	**721**	1,155

10. Other Finance Costs

	2020	2019
	£000	£000
Interest on defined benefit obligation (note 28)	**824**	1,188

11. Taxation

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	**25**	-
Foreign Tax		
Foreign tax on income for the year	**102**	373
Total current tax	**127**	373
Deferred tax		
Origination and reversal of timing differences	**(606)**	(1,652)
Capital gains	**5,033**	659
Total deferred tax	**4,427**	(993)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	**4,554**	(620)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020	2019
	£000	£000
Profit on ordinary activities before tax	**24,122**	9,923
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**4,583**	1,885
Adjusted for effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**5**	241
Capital allowances for year in excess of depreciation	**(446)**	(129)
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	**(430)**	(549)
Other timing differences leading to an increase (decrease) in taxation	**1,934**	(2,973)
Non-taxable income	**(5,430)**	(892)
Adjustment in research and development tax credit leading to an increase in the tax charge	**369**	372
Capital gains	**-**	1,425
Changes in provisions leading to an increase (decrease) in the tax charge	**(111)**	302
Foreign tax	**102**	373
Unrelieved tax losses carried forward	**(449)**	318
Movement on deferred tax	**4,427**	(993)
TOTAL TAX CHARGE FOR THE YEAR	**4,554**	(620)

11. Factors That May Affect Future Tax Charges

There were no factors that may affect future tax charges.

As a research organisation the Institute falls wholly within Statutory Instrument 3426/2007 and is required to self-assess its eligibility to exemption from Corporation Tax and certify itself as such. The Group engaged Price Waterhouse Coopers to review and confirm the ongoing applicability of The Welding Institute's Scientific Research Association status and consequently the Council is satisfied this exemption continues to apply.

12. Tangible Fixed Assets

	Freehold property	L/Term leasehold property	Plant & machinery	Computer equipment	Group
	£000	£000	£000	£000	£000
COST OR VALUATION					
At 1 January 2020	87,875	5,411	36,458	3,953	133,697
Additions	71	320	3,118	153	3,662
Disposals	-	-	(132)	-	(132)
Transfers between classes	(8,749)	214	(1)	1	(8,535)
Revaluations	4,935	-	-	-	4,935
Exchange adjustments	(31)	-	(71)	9	(93)
At 31 December 2020	**84,101**	**5,945**	**39,372**	**4,116**	**133,534**
DEPRECIATION					
At 1 January 2020	-	698	29,280	3,081	33,059
Charge for the year on owned assets	-	255	1,592	375	2,222
Disposals	-	-	(46)	-	(46)
Transfer between classes	-	-	(3)	3	-
Exchange adjustments	-	-	(77)	2	(75)
At 31 December 2020	-	953	30,746	3,461	35,160
NET BOOK VALUE					
At 31 December 2020	**84,101**	**4,992**	**8,626**	**655**	**98,374**
At 31 December 2019	**87,875**	**4,713**	**7,178**	**872**	**100,638**

The net book value of land and buildings may be further analysed as follows:

	2020	2019
	£000	£000
Freehold	**84,101**	87,875
Long leasehold	**4,992**	4,713
Total	**89,093**	92,588

13. Fixed Asset Investments

Institute

	Investments in subsidiary companies
	£000
At 1 January 2020	10,358
At 31 December 2020	10,358

The following were subsidiary undertakings of the Institute

Name	Registered office	Class of shares	Holding
TWI Limited	England	Ordinary	**100%**
The Test House (Cambridge) Limited	England	Ordinary	**100%**
Plant Integrity Limited	England	Ordinary	**100%**
TWI Certification Limited	England	Ordinary	**100%**
Granta Park Estates Limited	England	Ordinary	**100%**
GPE 1 Limited (indirect)	England	Ordinary	**100%**
GPE 2 Limited (indirect)	England	Ordinary	**100%**
TWI Estates Limited (indirect) (dormant)	England	Ordinary	**100%**
Granta Centre Limited	England	Ordinary	**100%**
TWI Technology Centre (Yorkshire) Limited (dormant)	England	Ordinary	**100%**
TWI Technology Centre (Wales) Limited (dormant)	England	Ordinary	**100%**
Abington Park Limited (dormant)	England	Ordinary	**100%**
Waverley Technology Limited (dormant)	England	Ordinary	**100%**
NSIRC Limited (dormant)	England	Ordinary	**100%**
SIRF Limited (dormant)	England	Ordinary	**100%**
TWI (Scots) Limited (dormant) (dissolved September 2020)	England	Ordinary	**100%**
Barrikade Limited (dormant) (dissolved September 2020)	England	Ordinary	**100%**
Vitresyn Limited (dormant) (dissolved September 2020)	England	Ordinary	**100%**
TWI Technology (S E Asia) Sdn Bhd	Malaysia	Ordinary	**100%**
TWI Services Bhd	Malaysia	Ordinary	**100%**
TWI Middle East FZ	UAE	Ordinary	**100%**
TWI Gulf WLL	Bahrain	Ordinary	**100%**
TWI (India) Private Ltd	India	Ordinary	**100%**
TWI Training and Services Company Ltd	Thailand	Ordinary	**100%**
TWI Turkey Muhendislik Tic. Ltd.sti	Turkey	Ordinary	**100%**
TWI Technology Engineering (Private) Ltd	Pakistan	Ordinary	**100%**
TWI Training and Consultancy Ltd	Canada	N/A	**100%**
TWI North America LLC (dissolved)	USA	N/A	**100%**
PT Teknologi Weldim Indonesia	Indonesia	Ordinary	**100%**
TWI Belgium SPRL	Belgium	Ordinary	**100%**
TWI Hellas	Greece	Ordinary	**100%**
TWI Global Technology Centre Pte Ltd	Singapore	Ordinary	**70%**

14. Investment Property

Freehold investment property	Group
	£000
VALUATION	
At 1 January 2020	32,881
Additions at cost	417
Surplus on revaluation	21,751
Transfers between classes	8,535
At 31 December 2020	63,584

The 2020 valuations were made by Bidwells LLP, on an open market value for existing use basis.

15. Stocks

	Group	Group	Institute	Institute
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Raw materials and consumables	**-**	20	**-**	-
Work in progress (development land)	**250**	250	**-**	-
Total	**250**	270	**-**	-

16. Debtors

	Group	Group	Institute	Institute
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Deferred tax asset (note 24)	**8,241**	9,642	**-**	-
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	**10,617**	12,889	**-**	-
Amounts owed by group undertakings	**-**	-	**3,735**	12,445
Other debtors	**5,451**	4,553	**-**	-
Prepayments and accrued income	**2,192**	3,389	**-**	-
Amounts recoverable on long term contracts	**10,330**	7,885	**-**	-
Tax recoverable	**5,346**	4,840	**-**	-
Deferred tax asset (note 24)	**3,050**	180	**-**	-
Total	**36,986**	33,736	**3,735**	12,445

17. Cash and Cash Equivalents

	Group	Group	Institute	Institute
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Cash at bank and in hand	**12,068**	16,564	**-**	-
Less: bank overdrafts	**(14,270)**	(1,966)	**-**	-
Total	**(2,202)**	14,598	**-**	-

18. Creditors: Amounts Falling Due Within One Year

	Group	Group	Institute	Institute
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Bank overdrafts	14,270	1,966	-	-
Bank loans	205	5,595	-	-
Other Loans	200	-	-	-
Payments received on account	16,694	19,780	-	-
Trade creditors	10,455	11,488	-	-
Other taxation and social security	1,283	1,558	-	-
Obligations under finance lease and hire purchase contracts	356	345	-	-
Other creditors	2,940	2,570	-	-
Accruals and deferred income	7,400	8,185	-	-
Total	**53,803**	51,487	-	-

Bank loans include £200,000 which incurs interest at fixed rate of 3.015% which is repayable in quarterly payments of £50,000. The loan is secured on the subsidiary's investment property.

Other bank loans of £5,000 are repayable in monthly instalments with the balance repayable in March 2023. These loans incur interest at a rate of 3% over the Coutts Base Rate and are secured on the subsidiary's investment property.

Other loans of £200,000 are unsecured and interest free.

19. Creditors: Amounts Falling Due After More Than One Year

	Group	Group	Institute	Institute
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Bank loans	**9,721**	10,244	-	-
Other loans	**20**	-	-	-
Net obligations under finance leases and hire purchase contracts	**3,241**	3,597	-	-
Payments received on account	**1,249**	4,647	-	-
Other creditors	**130**	71	-	-
Accruals and deferred income	**5,311**	5,914	-	-
Total	**19,672**	24,473	-	-

Secured Loan

Bank loans include £5m repayable in May 2024 at LIBOR+2.4% and £4.55m at a fixed rate of 3.015% which is repayable in quarterly payments of £50,000 with the balance due in August 2024. Both loans are secured on the subsidiary's investment property.

Other bank loans of £171,000 are repayable in monthly instalments with the balance repayable in March 2023. These loans incur interest at a rate of 3% over the Coutts Base Rate and are secured on the subsidiary's investment property.

Other loans of £20,000 (2019 - £NIL) are unsecured and interest free.

20. Loans

Analysis of the maturity of loans is given below:	Group	Group
	2020	2019
	£000	£000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	**205**	5,595
Other loans	**200**	-
AMOUNTS FALLING DUE 1-2 YEARS		
Bank loans	**205**	166
Other loans	**20**	-
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	**9,516**	10,078
	10,146	15,839

21. Finance Leases

	Group	Group
	2020	2019
	£000	£000
Minimum lease payments under finance leases fall due as follows:		
Within one year	**356**	346
Between 1-5 years	**1,535**	1,491
Over 5 years	**1,706**	2,106
Total	**3,597**	3,943

22. Analysis of Net Debt

	At 1 January 2020	Cash flows	At 31 December 2020
	2020	2019	**2020**
	£000	£000	**£000**
Cash at bank and in hand	16,564	(4,496)	**12,068**
Bank overdrafts	(1,966)	(12,304)	**(14,270)**
Debt due after 1 year	(10,244)	503	**(9,741)**
Debt due within 1 year	(5,595)	5,190	**(405)**
Finance leases	(3,942)	345	**(3,597)**
Total	(5,183)	(10,762)	**(15,945)**

23. Finance Instruments

	Group	Group
	2020	2019
	£000	£000
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	**147,685**	120,756

Financial assets measured at fair value through profit or loss comprise freehold and investment property.

24. Deferred Taxation

	Group	Group
	2020	2019
	£000	£000
At beginning of year	**43**	107
Charged to profit or loss	**(4,427)**	993
Charged to other comprehensive income	**262**	(1,057)
NET (LIABILITY)/ASSET AT END OF YEAR	**(4,122)**	43

	Group	Group	Institute	Institute
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Capital gains	**(12,172)**	(7,139)	**-**	-
Tax losses carried forward	**3,050**	2,548	**-**	-
Defined Benefit pension	**8,241**	7,093	**-**	-
Accelerated capital allowances	**(1,769)**	(2,639)	**-**	-
Other short term timing differences	**(1,472)**	180	**-**	-
Total	**(4,122)**	43	**-**	-
COMPRISING:				
Asset - due after one year	**8,241**	9,642	**-**	-
Asset - due within one year	**3,050**	180	**-**	-
Liability	**(15,413)**	(9,779)	**-**	-
Total	**(4,122)**	43	**-**	-

25. Parent Institute Profit For The Year

The Institute has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Institute for the year was £8,710,000 (2019 - profit £8,052,000).

26. Reserves

Revaluation reserve

This includes past historic revaluations on the Group's freehold property.

Foreign exchange reserve

This reserve comprises translation differences arising from the translation of financial statements of the Group's foreign entities into sterling.

Cash flow hedge reserve

This reserve represents the cumulative gain or loss on hedging instruments in place at the year end.

Profit & loss account

This reserve includes all current and prior period retained profits and losses.

27. Capital Commitments

	Group	Group
	2020	2019
	£000	£000
At 31 December 2020 the Group and Institute had capital commitments as follows:		
Contracted for but not provided in these financial statements	**49**	495

28. Pension Commitments

Defined Contribution Pension Scheme

The Group operates a defined contribution pension scheme in the UK. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £2,909,000 (2019 - £2,177,000). Contributions totalling £285,000 (2019- £209,000) were payable to the funds at the balance sheet date and are included in other creditors. There were 535 active members of the Defined Contribution Pension Scheme as at the end of 2020 (2019 - 511).

Defined Benefit Pension Scheme

The company operates a Defined Benefit Pension Scheme.

This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. The preliminary results of the triennial valuation carried out at 31 December 2019 were updated to 31 December 2020 by Mercer Ltd, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent completed actuarial valuation as at 31 December 2019 showed a deficit of £56.9m. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 8 years 9 months from 1 April 2021 by the payment of monthly contributions of £296,667 increasing at a rate of 4% p.a. In addition, the company will meet the cost of levies to the Pension Protection Fund. The scheme closed to accruals on 11 September 2020.

There were no active members of the Defined Benefit Pension Scheme as at the end of 2020 (2019 - 103).

28. Pension Commitments (continued)

	2020	2019
	£000	£000
Fair value of plan assets	**149,117**	134,962
Present value of plan liabilities	**(192,494)**	(176,688)
NET PENSION SCHEME LIABILITY	**(43,377)**	(41,726)
Composition of plan Assets		
LDI	**20,407**	18,042
Equities	**88,964**	82,772
Bonds	**14,844**	10,614
Diversified Growth Funds	**18,481**	18,298
Cash	**6,421**	5,236
TOTAL PLAN ASSETS	**149,117**	134,962
The amounts recognised in profit or loss are as follows:		
Current service cost	**1,140**	2,227
Interest on obligation	**824**	1,188
Expenses	**40**	45
(Losses)/gains on settlements	**-**	(118)
Total	**2,004**	3,342
Return on plan assets (excluding amounts included in net interest costs) - Gain	**13,126**	16,603
Experience gains and losses arising on the plan liabilities - Gain/(loss)	**295**	(2)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - Gain/(loss)	**(17,336)**	(17,473)
Total	**(3,915)**	(872)
Reconciliation of opening and closing balances of the defined benefit obligation were as follows:		
At the beginning of the year	**176,688**	161,902
Current service cost	**1,140**	2,227
Expenses	**40**	45
Interest costs	**3,573**	4,511
Actuarial gains and (losses)	**17,041**	17,475
Contributions by plan participants	**287**	532
Liabilities extinguished on settlements	**-**	(3,288)
Benefits paid	**(6,275)**	(6,716)
CLOSING DEFINED BENEFIT OBLIGATION	**192,494**	176,688

28. Pension Commitments (continued)

	2020	2019
	£000	£000
Reconciliation of opening and closing balances of the fair value of plan assets were as follows:		
At the beginning of the year	**134,962**	**118,158**
Interest income	**2,749**	**3,323**
Return on plan assets in excess of interest income	**13,126**	**16,603**
Assets distributed on settlements	**-**	**(3,170)**
Contributions by the company	**4,268**	**6,232**
Contributions by plan participants	**287**	**532**
Benefits paid	**(6,275)**	**(6,716)**
AT THE END OF THE YEAR	**149,117**	**134,962**

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):		
	%	%
Discount rate	**1.40%**	2.05%
Inflation (RPI)	**3.00%**	2.85%
Inflation (CPI)	**2.50%**	2.05%
Salary growth	**1.50%**	2.50%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.50%**	2.05%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.20%**	3.05%
Allowance for commutation of pension for cash at retirement	**100% of Post A Day**	100% of Post A Day

	Life expectancy at age 65 (Years)
Male retiring in 2020	**21.6**
Female retiring in 2020	**23.5**
Male retiring in 2040	**22.6**
Female retiring in 2040	**24.7**

The best estimate of contributions to be paid by the institute to the scheme for the period commencing 1 January 2021 is £3,525,000.

29. Commitments Under Operating Leases

At 31 December 2020 the Group and the Institute had future minimum lease payments under non-cancellable operating leases as follows:

	Group	Group	Institute	Institute
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
LAND AND BUILDINGS				
Not later than 1 year	**403**	351	**-**	-
Later than 1 year and not later than 5 years	**1,257**	1,730	**-**	-
Later than 5 years	**446**	617	**-**	-
Total	**2,106**	2,698	**-**	-
OTHER				
Not later than 1 year	**63**	60	**-**	-
Later than 1 year and not later than 5 years	**11**	-	**-**	-
Total	**74**	60	**-**	-

30. Related Party Transactions

The Group has taken advantage of the exemptions contained within FRS 102 paragraph 33.1A not to disclose transactions with wholly owned group undertakings.

Key management personnel are considered to be the members of the Executive Team. The total remuneration (including salaries and other benefits) of key management personnel in the year, including directors, was £1,621,000 (2019 - £1,725,000).

31. Post Balance Sheet Events

On 30 January 2020 the World Health Organisation announced Covid-19 as a global health emergency, and announced it to be a global pandemic on 11 March 2020. Following two lockdowns, the UK Government announced wider Tier 4 restrictions on 26 Dec 2020 and England entered a third national lockdown on 4 January 2021. This lockdown has had limited financial impact and there are no impairments of assets held at the balance sheet date required as a result of Covid-19.

The Group will benefit from a substantial gain on the divestment of a non-income generating asset in Q3 2021.