

# 2021 ANNUAL REPORT AND FINANCIAL STATEMENTS

THE WELDING INSTITUTE  
REGISTERED COMPANY  
NO. 00405555



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# COMPANY INFORMATION

## CHAIR

Humbert Mozzi

## CHIEF EXECUTIVE

Aamir Khalid

## HONORARY PRESIDENT

Dame Julia King  
(appointed 28 September 2022)

David Holmes  
(retired 28 September 2022)

## REGISTERED NUMBER

00405555

## REGISTERED OFFICE

Bevan Braithwaite Building  
Granta Park  
Great Abington  
Cambridge CB21 6AL

## INDEPENDENT AUDITORS

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
101 Cambridge Science Park  
Milton Road  
Cambridge CB4 0FY

## BANKERS

Barclays Bank PLC  
Market Place  
Saffron Walden  
Essex CB10 1HR

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<https://www.twi-global.com/who-we-are/corporate-governance/reports-and-accounts>



# MEMBERS OF COUNCIL

# MEMBERS OF COUNCIL

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

NAME	MEMBERSHIP CATEGORY	FIRST ELECTION TO MEMBERSHIP CATEGORY
Abudllah Alshahrani	Industrial	22/06/2022
Ali Alshawaf	Industrial	28/09/2022
Amy Kinbrum	Industrial	03/07/2021
Annelyse Fournier	Co-opted	05/04/2022
Claire Kimpton (Vice Chair)	Professional	15/09/2020
Daniel Clark	Professional	23/03/2021
David Panni	Industrial	23/03/2021
Duncan Steel	Industrial	23/03/2021
Eva Karlsson Carruthers	Industrial	28/09/2022
Gareth Hopkin	Professional	23/03/2021
Graham Holloway	Professional	22/06/2022
Humbert Mozzi (Chair)	Co-opted	17/03/2020
Ian Perryman	Professional	01/06/2020
Joseph McGee	Professional	15/04/2023
Kamran Mahmood	Co-opted	19/04/2021
Laura Hughes	Co-opted	17/03/2020
Michael Skyrme	Professional	01/12/2020
Peter Stirling	Industrial	13/07/2020
Peter Stones	Professional	23/03/2021
Simon Webster	Co-opted	17/03/2020



# **GROUP STRATEGIC REPORT**

# INTRODUCING THE WELDING INSTITUTE

The Welding Institute Group (the Group) is a world leading independent research and technology organisation that supports its members in the fields of welding, joining and allied technologies. Established in 1923 (originally as The Institution of Welding Engineers), the Group has a long-standing reputation for excellence in solving problems in manufacturing, fabrication and whole-life integrity management technologies.

The Group operates in the UK and in multiple international locations across Central Asia, the Middle East, the Indian Subcontinent and the Far East. With a successful international training and examinations network, the Group takes technical and practical know-how to regions that are looking to develop local expertise.

The core business of engineering consulting services, research and training is delivered and administered primarily through The Welding Institute's UK operating subsidiary, TWI Ltd. The Group has a first-class reputation for service through its teams of internationally respected

consultants, scientists, engineers and support staff. The Group has a UK investment property portfolio that is managed by its subsidiary, Granta Park Estates Ltd.

The Group is committed to quality, health and safety, and environmental management. The Group's management systems 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 Welding Institute holds Scientific Research Association status, which allows the company to take advantage of some of the benefits of a charitable organisation.

**The Welding Institute devotes 75% of its income to research, which is carried out for the benefit of our members and society.**



A photograph of two women, one with blonde hair and one with dark hair, smiling and looking at a laptop screen. The blonde woman is pointing at the screen. The image is partially covered by a dark blue diagonal overlay on the left side.

# STRATEGIC OBJECTIVES



# 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.

To accomplish our strategic objectives, we apply our core values of Teamwork, Innovation and Expertise, Taking Responsibility, Customer Focus, Adaptability and Inclusion. Our vision, which was set in 2020, has been progressively developed and built upon over the course of 2021 and focusses on the following priorities:

1. Improving our focus and performance on Health, Safety, Environment and Diversity & Inclusion.
2. The stable and reliable generation of cash from profits needed to invest in the company's future sustainability.
3. Building closer relationships with our key members and adding greater value to their operations, either individually through Single Client Projects or collectively through the very popular and effective, Joint Industry Projects.

4. Targeting specific Group generated knowledge and technologies for exploitation.
5. Targeting high growth markets through our overseas subsidiaries around: Training in India, South East Asia, Middle East and Central Asia; Consultancy in China, Japan and USA.
6. Exploiting TWI's property portfolio to provide underlying stability for the wider business.

The metrics used to judge our success in these endeavours are set over five years, with annual milestones around these key strategic areas:

- Health Safety and Environment (delivering a zero harm culture)
- Diversity and Inclusion
- Technology Leadership
- Customer Satisfaction
- Governance
- Financial Performance
- Maximising the value of our Property Portfolio



The background image shows a large, white satellite dish in the foreground, partially obscured by a dark blue diagonal overlay. In the upper right, three people in white lab coats stand on a rooftop, looking at a document. The sky is blue with light clouds.

# CHAIR REPORT

# CHAIR REPORT



Humbert Mozzi - Chair

**I would like to report that despite the challenges faced by the global economy in 2021, our business delivered record comprehensive income of £129m after tax and adjustments (£88m before tax and adjustments).**

One of the key contributors to our results in 2021 was the implementation of a property strategy, which resulted in a property transaction that achieved a record price for commercial property in Cambridgeshire. The property strategy ensured we sold at the top of the market, and this transaction allowed us to stabilise the business and clear down debt.

With the considerable cash injection from this sale, Council approved a contribution to the Defined Benefit Pension scheme of £16.8m, enabling us to take a payment holiday for 3 years on pension instalments. This will greatly help the business to focus on growth and delivery of our strategy.

Our teams have worked on some fantastic projects which support a safer and more sustainable future, and on initiatives that improve lives and make a difference to the world we live in. We are encouraged by the increasing engagement of our members with the urgency of climate action and the scale of change required

to achieve net-zero emissions globally by 2050. Our work on energy transition, including the use of hydrogen, grew and will continue to be a big focus for the future. Much of our work points towards the sustainable world we want to see.

We are grateful for the trust that our members place in us, by continuing to award us with new work. We remain committed to delivering high-quality solutions that are impactful, sustainable and make a difference to people's lives.

Our staff continue to be the backbone of our organisation, and 2021 demonstrated how we can work flexibly whilst continuing to deliver excellent work. We want to build a business that is increasingly agile, resilient, and future-ready. Over the past 2 years we have embraced new technologies that have helped us to work in new ways; we want to harness the best of these experiences and continue to operate a flexible workplace that attracts and retains the best talent while supporting their wellbeing and development. We are proud of our talented teams, and appreciate their hard work, trust and commitment.

In 2021 we reviewed our Governance across the Group and implemented measures to centralise global functions, streamlining our operations and improving cohesion. We also took the opportunity to appoint Grant Thornton UK LLP as our new Group auditor, after 27 years with the previous audit firm. In addition, we welcomed new members to our council, whose invaluable expertise and oversight will greatly benefit the business as we move forward. These steps reflect our commitment to maintaining the highest standards of Governance and accountability, to ensure the long-term success of the business.

As we move into 2022, we remain focussed and committed. I am excited about the opportunities ahead of us, and thank all of our stakeholders for their continued support.

Humbert Mozzi

21 June 2023

A composite background image featuring a blurred calculator at the top, a pair of glasses on the right, a bar chart in the center, and a pie chart at the bottom. A dark blue diagonal overlay covers the left side of the image.

# FINANCIAL RESULTS

# FINANCIAL RESULTS

The results of the company are set out on page 50 and show turnover of £63.4m (2020 £67.9m), profit before tax and adjustments of £87.8m (2020: £21.7m) and total comprehensive income of £129.6m (2020 £18.6m).

The turnover was generated across three main classes of business; membership subscriptions accounted for 10% of the turnover, engineering consulting 53%, and 37% came from training, examinations and certification.

The total comprehensive income of £129.6m (2020 £18.6m) includes £72.7m of profit from the disposal of investment property (2020 £nil), £16.9m of gains in fair value revaluation of investment property (2020 £22.0m), £44.4m of unrealised gains in the revaluation of operational property (2020 £4.9m), a £19.3m gain on the revaluation of the Defined Benefit pension scheme (2020 loss -£3.9m), and a deferred tax charge/(credit) of £18.6m (2020 -£0.3m).

The Balance Sheet strengthened with a total reserves position of £215.0m (2020 £85.3m), driven by the land sale profits, fair value movements in property and the uplift on the defined benefit pension scheme revaluation (detailed above).

During the period the Group identified items which resulted in the amendment of the prior year results; these include the revision to accounting treatment of certain government grants, the review and accounting for onerous contracts and the recognition of depreciation on long-leasehold properties utilised by the Group.

Further details are included in note 25.

## PROFIT AND LOSS RESULTS

### TURNOVER

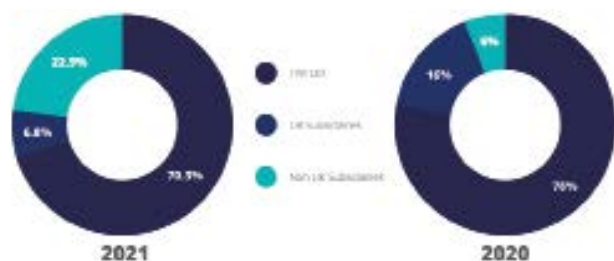
The nature of The Welding Institute operations are summarised under “Introducing The Welding Institute” on page 7. The Group saw a decrease in turnover from £67.9m in 2020 to £63.4m in 2021. This was primarily due to a revaluation of projects in TWI Ltd during 2021 where provisions were booked for projects that expect to consume additional resource to complete, in excess of the original pricing. During 2021 TWI Ltd worked on 1,745 projects (2020: 1,888).

The majority of Group turnover (53%) is from engineering consulting, derived from Single Client and Collaborative projects. Single Client Projects are work that we carry out for our members, these are the most profitable of the income streams. Collaborative projects are industrial research projects which are subsidised with internal funding from The Welding Institute and funding from government (the European Commission and UKRI). Industrial Membership subscriptions represent 10% of our turnover, whilst training, examinations and certification represent 37%.

Turnover from Group companies is represented in the graph below. 70% of the Group turnover is generated within TWI Ltd, 7% is coming from other UK Subsidiaries and Non-UK subsidiaries accounted for 23%.



## Turnover by Subsidiary



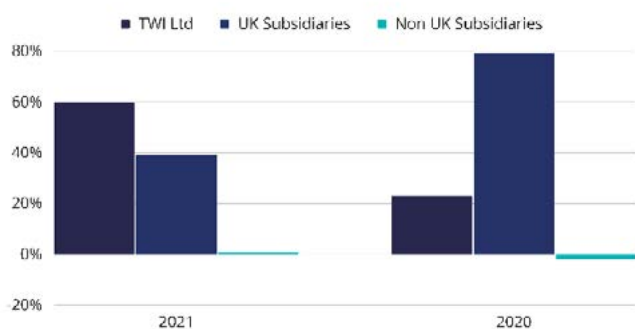
## OTHER OPERATING INCOME

The Welding Institute holds Scientific Research Association status and is accordingly entitled to certain government incentives. The company qualifies for Research and Development tax credits, which amounted to £1.8m (2020: £1.9 m). Details of other Government Grants are provided in note 2.5 and amounted to £1.0m, which includes £0.8m related to AEMRI included in other operating income in 2021 (2020 £7.0m; Job Retention and Regional Growth funding completed during 2020). Total Other operating income of £93.9m also includes a gain of £72.7m on the disposal of investment property.

## PROFITS

Group total comprehensive income of £129.2m is represented in the graph below. 60% came from TWI Ltd (2020: 23%), 39% from other UK Subsidiaries (the property and certification businesses) (2020: 79%), whilst Non-UK subsidiaries accounted for 1% of Group profits (2020: -2%).

## Profit by Subsidiary



## FINANCING AND CASH

The Group's cash position increased to £99.2m (2020: £-2.3m). Cash flow from operating activities was £5.5m (2020: -£6.5m), from investing activities was -£5.6m (2020: -£3.9m) and from financing activities £101.6m (2020: -£6.4m). TWI Ltd closed its overdraft facility with Barclays Plc in 2021, using the increased liquidity within the TWI group from the sale of land to extinguish this. The only loan in the Group is held by GPE2 Ltd, a property subsidiary, with Coutts Plc. This loan is secured over tenanted investment property.

## BALANCE SHEET POSITION

The Group balance sheet value grew significantly in 2021, total assets less total liabilities increased to £215.0m (2020: £85.3m). The value of Freehold and Investment Property increased to £179m reflecting significant demand for and growth in science park property in the Cambridge area.

The balance sheet shows a net current assets position of £73.9m (2020 £3.3m) reflecting the liquidity injection from the land sale in 2021. The Group finished 2021 in a strong balance sheet position, which will provide a solid foundation for the existing operations and the potential to pursue growth opportunities should they arise. As a result, the Group is well positioned for the year ahead.

## DEFINED BENEFIT PENSION PLAN

The Employer (TWI Ltd) meets the costs of administration and investment management of The Welding Institute Defined Benefit Pension scheme. The FRS 102 deficit decreased from £43.3 m in 2020 to £4.4m in 2021. This was driven by changes in market rates and a cash injection from The Welding Institute of £16.8m from increased liquidity in the group companies from the sale of land.

On 1 January 2000, all The Welding Institute employees were transferred to TWI Ltd and the Pension Trustees agreed that the full liability for the scheme be transferred to TWI Ltd; this has been reflected in the audited financial statements for both entities where no deficit/

liability has been booked in the financial statements of The Welding Institute. A guarantee remains in place between The Welding Institute as parent and TWI Ltd to provide support if required.

In 2021 it was identified that The Welding Institute would realise a significant gift-aid payment as a result of the sale of land in Granta Park Estates Ltd, it's wholly owned subsidiary. Granta Park Estates Ltd made a gift-aid payment from the proceeds to The Welding Institute.

Due to the significance of the transaction the Pension Trustees elected to engage with The Welding Institute, as a participating employer, to obtain a voluntary pension contribution payment under the existing rules of the Pension Deed.

In order to do this, the trustees engaged specialist advice in the form of an actuarial calculation to determine what would be an appropriate amount. Based on the advice received from both the actuary (Mercers) and specialist tax advisors (Pricewaterhouse Coopers), the Pension Trustees requested a voluntary contribution of £16.8m. The Welding Institute made a payment contribution to the scheme for this amount.

The last triennial valuation was for the period ended 31 December 2019. The recovery plan (as agreed with the Trustees and Pension Regulator) remains unchanged however, following the injection of £16.8m from The Welding Institute in 2021, no further cash payments under the current contribution schedule are required until 2025. TWI Ltd closed the defined benefit pension scheme to future accruals in Sep 2020.





# **PRINCIPAL RISKS AND UNCERTAINTIES**



# PRINCIPAL RISKS AND UNCERTAINTIES

Effective Risk Management is fundamental to achieving the strategic objectives of the business. In 2021, Group management continued to develop a comprehensive risk management framework and reporting mechanism. Group management continually review its risk management structure to ensure that the risks are managed within an acceptable risk appetite. The Group has a Low Appetite for contextual risks. Our business operations and activities have a balanced geographic and thematic spread to set overall risk levels at low. There are certain projects funded by different government bodies and Institutes, where the Group operates in challenging contexts; but the risk bar for the Group remains low due to its operational approach and policies and procedures.

Risk is inherent in the challenging context in which we operate, so we aim to find an acceptable balance between the cost of managing the risks, and the likely cost and impacts if the risks materialize, as well as the cost of not acting. The Group calculates an overall rating of an identified risk by assessing the likelihood and impact.

The Executive Board review the risk register on monthly basis and Council review the risk register as part of the quarterly agenda. The major risks the Group is currently facing are summarised below:

RISK	NATURE OF RISK	MANAGEMENT OF RISK
Governance Risk	<ul style="list-style-type: none"> <li>* Expansion of business and failure to adhere to statutory requirements of UK and non-UK subsidiaries.</li> <li>* Sudden change in regulatory requirements i.e. sanctions, export control and trade laws.</li> <li>* Risk of delay or failure in submission of and/or accuracy of statutory reports to appropriate authorities.</li> </ul>	<p>To mitigate those governance related risks, the Group is proactively reviewing its governance framework, group policies and procedures to ensure compliance with international and local legislation, where applicable.</p> <p>A policy framework to standardise the creation, adoption and implementation of policies across the organisation is being developed. This includes a review of existing policies, gap analysis, creation and implementation of new policies.</p>
Operational Risk	<ul style="list-style-type: none"> <li>* Disruptions in supply chains.</li> <li>* A shortage of supply in the employment market.</li> <li>* High turnover of technical and professional staff.</li> <li>* Disruption due to breakdown or dysfunctional equipment, machines and tools.</li> </ul>	<p>To mitigate these risks, the Group has policies and procedures to ensure business continuity without disruption. Group staff who have responsibility for operational activities regularly review these risks to maintain the supply chain by engaging alternative suppliers, service providers and third parties. Training and succession planning are part of our risk mitigation framework.</p>

RISK	NATURE OF RISK	MANAGEMENT OF RISK
Financial Risks	The volatility of the current economic environment, political unrest and the complexity of the regulatory environment create uncertainties and put pressure on activity levels, profitability and cash flow.	The Group has financial and accounting systems that are designed to ensure accuracy and transparency. The Finance department creates detailed monthly financial reports showing performance against budget and forecast for Executive Board, and reports regularly to Council, Finance and General Purposes Committee, and Audit Committee who provide oversight of Group operations. This allows informed decisions and mitigating actions to be taken where appropriate. The Finance department carry out gap analysis, and also develop and implement new policies to strengthen existing controls. Grant Thornton UK LLP were appointed as new external auditors for the 2021 reporting period.
Fraud - Bribery & Corruption	<p>* Risk of fraud and misrepresentation by customers, suppliers and third parties.</p> <p>* Risk of bribery and corruption while dealing with government officials, third parties, suppliers and service providers.</p>	The Group has a policy of zero tolerance towards fraud, bribery, corruption, misrepresentation and misconduct. The business has comprehensive policies in place that form part of employee contracts. Third party whistle blowing channels are established where employees, clients, Members and other third parties can report incidents of misconduct and noncompliance.
Health – Safety - Environment	The Group's work can be hazardous and requires appropriate controls.	The Group is an accredited organization for ISO 9001, 14001 and 45001 standards to mitigate risks of health and safety, handling and storage of hazardous material and monitor of high-risk operational activities to prevent incidents. Monthly health and safety incident reports are presented to the directors and appropriate actions taken. All employees undergo training in Health and Safety on joining the business.

RISK	NATURE OF RISK	MANAGEMENT OF RISK
People and Culture Risks	The Group's success is built on the quality of its people and their work. People risk is the risk that ensues if the Group fails to provide a supportive and collegiate culture.	The risk is mitigated through: <ul style="list-style-type: none"> <li>* effective recruitment</li> <li>* effective succession management</li> <li>* effective management and development programs</li> <li>* effective leadership</li> <li>* promoting diversity and inclusion throughout the business</li> <li>* wellbeing policies and processes</li> <li>* appropriate remuneration and benefits</li> </ul>
Information Management, IT & Security Risk	Data and information systems are at threat from unauthorised access, inappropriate use, disclosure, disruption to operations, modification, or accidental and/or deliberate destruction.	The Group's Chief Security Officer has implemented a security framework that includes enhanced information security policies. This framework provides greater information security assurance to Group technology users and those third parties for whom we carry out sensitive work. The Group has developed a set of policies and procedures along with robust mandatory training to create awareness for its management, staff and related parties. The Group's systems are accredited under Cyber Essentials Plus, this is tested and renewed annually.
Global Operations Risk	Consistent Corporate Governance management, policies and procedures required to ensure global harmonisation around legislation regulation and culture	Global businesses take responsibility for risk management within their respective operating entities. The management team of each operating entity includes appropriate representation from the Group.
Reputational Risk	Reputational risk is the risk of failure to meet customer, supplier and employee expectations as a result of any event, behaviour, action or inaction, either by the Group itself, our employees or those with whom we are associated, that may cause stakeholders to form a negative view of the Group.	Our policies ensure reputational risk matters are managed in a consistent manner and align with the Group's strategic priorities. Our Legal and Governance team the control and oversight standards to effectively manage reputational risk and are supported by procedures across our global businesses and functions

In addition to the principal risks and uncertainties above, the Group faces other risks that include but are not limited to: increased competition; failure to retain, or loss of, customer contracts; customer concentration; technology leadership; counterparty risk; risk of adverse valuation of operational and investment properties; changes in legislation or regulations relating to trading, taxation or accounting practice.



# KEY PERFORMANCE INDICATORS

# 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 GROUP.

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 as part of the Corporate Plan.



## DETAILED KPI'S ARE SET AROUND:

**Health Safety and Environment** - reducing emissions, delivering the HS&E culture action plan, maintaining RoSPA Gold for TWI Ltd, having more than 95% of our Management completing the IOSH Managing Safely course.

**People and Culture** - having greater than 25% of women in leadership positions, improving engagement scores on the annual staff satisfaction survey, reducing the gender pay gap, implementing a mentor program and revising progression (career path) frameworks.

**Governance and Compliance** - delivery of the compliance framework.

**Technology** - delivery of the technology roadmap.

**Customer Satisfaction** - Increasing customer satisfaction and enhancing professional membership benefits.

**Financial** - meeting targets related to turnover, profit, cash generation and rental returns.

A photograph of a person wearing a blue jacket, holding a small plant in a field. The image is split diagonally by a dark blue triangle that contains the text. The background is a blurred green field.

# **ENVIRONMENTAL, SOCIAL, GOVERNANCE**

# ENVIRONMENTAL, SOCIAL, GOVERNANCE

## ENVIRONMENTAL

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

As 77% 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.

Annually TWI Ltd reports on its greenhouse gas emissions and participates in the Energy Savings Opportunity Scheme (ESOS) from which a number of recommendations for improving energy efficiency 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. In 2021 we have considered the company's approach to climate change and begun implementing additional measures that contribute to the reduction of our impact on the environment.

TWI Ltd 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 TWI Ltd include pioneering research in geothermal resources to improve the efficiency 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). TWI Ltd 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.

## EMISSIONS AND CARBON ENERGY

This is the second year of mandatory reporting under SECR. TWI Ltd have however reported energy and emissions now for several years and 2019 has been chosen as a base year. Between 2019 and 2021, the current gross emissions have decreased by 1,843.89 tonnes of CO<sub>2</sub>e, which accounts for a 37% decrease. Some of the larger changes between 2020 and 2021 are air travel, which reduced in 2021 and refrigeration gases, which increased in 2021.

## QUANTIFICATION AND REPORTING METHODOLOGY

HM Government Environmental Reporting Guidelines, including streamlined energy and carbon reporting guidance (March 2021) 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 emissions, using the 2021 version. Fugitive emissions from refrigerants adopts the screening method in annex C of the guidance. The financial boundary of the business has been used to determine the reporting boundary. Measurements include mandatory scope 1, 2 and 3 emissions. Negligible estimates have been made with the collation of data. Optional scope 3 emissions have also been included in the reporting.

## TARGET SETTING AND RESPONSIBILITIES

The target is to reduce gross scope 1, 2 and 3 emissions in tonnes of CO<sub>2</sub>e per £100,000 turnover and per FTE used by 2% per year against the chosen base year of 2019. The performance against target will be reviewed periodically.



## INTENSITY MEASUREMENT

The reporting metrics chosen are gross scope 1, 2, and 3 emissions in tonnes of per £100,000 turnover and full time equivalent (FTE) members of staff, as these best reflect business activities. The intensity measurement will be reported each year, with comparison made against previous years' performance.

The emissions per £100,000 reduced by over 38% between 2019 and 2021 and the emissions per FTE reduced by 30% compared with 2019.

## CARBON OFFSETTING

No carbon offsetting is applicable to the 2021 period.

## ENERGY EFFICIENCY ACTIONS

TWI is committed to improving its environmental impact and announced in its 5-year strategy in 2021, the goals of reducing its carbon footprint by 25% by 2025 and being carbon neutral by 2035.

The consumption of electricity remains the most carbon intensive area.

Several measures to reduce this were agreed to in the last quarter of 2021. These measures include:

- TWI Ltd switching to a green energy tariff when contracts end in 2022.
- Increasing use of renewable energy through growth of self-generated electricity in solar PV cells.

- Sourcing greener energy from responsible providers through power purchase agreements.
- Gaining certification to ISO 50001:2018, Energy Management Systems standard by 2024.

The energy saving opportunities that COVID-19 provided have continued, and a 'hybrid working policy' is being trialled for staff to have the flexibility to work from home. This will help to reduce the impact of commuting.

TWI has reviewed its utilisation of its property inventory and downsized the number of offices and facilities. The Aberdeen office and the Baglan building in Wales have closed operations have been redirected to our Port Talbot property, and space at Cambridge is being leased to tenants. This decrease in office and laboratory space will help to reduce gas and electricity usage.

Staff have adjusted to the use of video conferencing technologies, which reduces the need for travel between the regional offices. When staff do travel, they are required to use their own vehicles as the pool car fleet has been removed. Investment is planned in sustainable travel such as the cycle to work scheme and assistance in the procurement of electric vehicles through subsidies. Other basic energy saving measures, including switching off lights and equipment when not in use or at the end of day, have continued. These measures have now been included in the new starter training package to ensure all staff are made aware of how they can contribute to reducing energy usage throughout TWI.





## 2021 CARBON REPORTING STATISTICS

SCOPE 1 CO2E (TONNES)	2021	2020	2019
Natural gas consumption	688.65	670.82	800.48
Company cars (essential car users)	9.4	7.36	21.38
Pool cars	28.02	45.93	109.18
LPG	0.79	0.64	0.63
Refrigeration and air condition equipment	184.42	73.85	48.65
Site maintenance – red diesel	1.22	2.76	1.3
<b>Total Scope 1</b>	<b>912.50</b>	<b>801.36</b>	<b>981.62</b>
SCOPE 2 CO2E (TONNES)	2021	2020	2019
Electricity	1,939.31	2,271.52	2,583.90
<b>Total Scope 2</b>	<b>1,939.31</b>	<b>2,271.52</b>	<b>2,583.90</b>
SCOPE 3 CO2E (TONNES)	2021	2020	2019
Electricity T & D losses	171.62	195.35	219.37
Hire vehicles for business use	39.73	43.99	97.68
Taxi and chauffeur	1.33	6.39	19.71
Personal lease cars - business use	0.81	3.16	9.49
Employee owned cars – business use	N/A	N/A	N/A
Domestic and international flights	38.16	240.63	1024.72
Rail travel	1.2	5.83	29.79
Potable water	1.27	3.86	4.65
Waste water	0.05	0.09	0.07
Waste	28.08	18.14	6.96
<b>Total Scope 3 CO2e (tonnes)</b>	<b>282.25</b>	<b>517.44</b>	<b>1,412.44</b>
<b>TOTAL CO2E SCOPE 1, 2, 3 GROSS EMISSIONS (TONNES)</b>	<b>3,134.06</b>	<b>3,590.32</b>	<b>4,977.96</b>
Intensity Metric Measure (£100,000 turnover)	676	639	659
Intensity Metric Measure (FTE)	533	568	590
Intensity Metric (gross emissions) tCO2e/£100,000 turnover	4.63	5.62	8.44
Intensity Metric (gross emissions) tCO2e/FTE	5.88	6.32	7.55
Energy Consumption (exclusions)	2021	2020	2019
KWh (as above)	14,113,908	15,025,581	19,927,491
INTENSITY METRIC (NET EMISSIONS)	2021	2020	2019
Scope 1, 2, 3 emissions (gross) tCO2e	3,134.07	3,590.32	4,975.73
Carbon Offsets	0	0	2467.45
Scope 1, 2, 3 emissions (net) tCO2e	3,134.07	3,590.32	2,508.28
Intensity Metric (net emissions) tCO2e/£m turnover	4.63	5.62	3.81
Intensity Metric (net emissions) tCO2e/FTE	5.88	6.32	4.25



# CORPORATE SOCIAL RESPONSIBILITY

# CORPORATE SOCIAL RESPONSIBILITY

Our societal impact is a fundamental part of the Group principles, and underpins our activities across all jurisdictions where we operate. Our approach forms the basis of our decisions by focussing on business ethics and compliance, people and culture, and community involvement.

We aim to foster openness, sustainability, and respect. We value everyone and strive to work as one team. We invest significantly in our people and their working environment by creating and maintaining a safe and healthy working environment and ensuring their ongoing professional and personal development.

We strive to create workplaces in which there is mutual trust and respect and where every person feels responsible for the performance and reputation of our Group. We respect one another and each other's individual rights and customs. We work towards achieving a diverse workforce, recruiting, employing and promoting people only on the basis of objective criteria and the qualifications and abilities needed for the job to be performed.

We encourage our people to give something back to their local communities, whether it is time, effort or a financial contribution. It's important that we play our part to build a better world for current and future generations.

The Group has supported a number of charities during 2021 and provided donations to: Addenbrookes Hospital, Alzheimer's Challenge, Crisis, Arthur Rank Hospice, Calais Jungle Refugee care packages, as well as supporting a local rugby team and sponsoring staff partaking in Movember.

Our support is delivered through initiatives that support local communities and those in need.

We welcome initiatives from all sources, but especially those from our own people.

On a discretionary basis, the Group operates a scheme to match charitable donations raised by employees up to a specified limit. Charitable donations related to this programme were similar to the prior year. In addition, the Group made donations to local foodbanks and health-related charities local to our sites specifically to support local communities facing hardship.


The Group is committed to our Corporate Social Responsibilities (CSR) across all of our sites in the UK and globally, including:

- Corporate (organisational) governance
- Human rights
- Labour and fair employment practices
- Health, safety and environmental best practice
- Fair operating practices
- Consumer issues
- Community involvement and development

As we seek to address challenges faced by our Members to meet sustainability demands while minimising the use of resources and environmental impacts, we recognise how the exact challenges can differ between industries and have been investing our efforts into helping to inspire and deliver the next generation of skilled engineers.

While interacting with local communities to support and promote engineering in schools, colleges and universities, we have also been working closely with industry, government, academia and other stakeholders to create initiatives such as the International Skills



A man with glasses and a beard, wearing a blue lab coat, is working on a robotic welding arm. He is holding a component of the arm, which is labeled "GOMAU". The background is a dark, industrial setting with metal panels and a grid floor.

"The Welding Institute has the status of a Scientific Research Association (SRA). In this capacity we have contributed £14m of our own funds towards providing R&D in the field of Welding and Associated technologies to our 550 industrial and 4,000 Professional Members. This R&D is widely disseminated for the benefit of our Members and the general public via webinars, conferences and via our Professional body (The Welding Institute).

In addition we have fully funded 63 MScs and PhDs. We have also fully funded 1,275 Industrial Operators to train in the field of Welding and Associated Technologies as a service to our Members and the Welding and Joining Industry."

Humbert Mozzi  
Chair

Enhancement Programme (ISEP) and the National Structural Integrity Research Centre (NSIRC):

## INTERNATIONAL SKILLS ENHANCEMENT PROGRAMME (ISEP)

The Group initiated ISEP to provide a programme that delivered international impact by tackling in-country skills shortages and reduce occupational fatalities by bringing engineering-related skills and education to disadvantaged and under-represented groups in various parts of the world.

This not only creates a safety-skilled workforce for industry and reduces engineering failure rates but, through improving health and safety at work, reduces workplace accidents, injuries and fatalities. ISEP also improves job prospects and career progression for disadvantaged and under-represented groups.

Through ISEP, the Group has been providing vocational training, alongside Lloyd's Register Foundation, to people in South and East Asia through the 'SEASEP' programme, as well as to India. The first phase of the programme saw over 4,000 students trained to international standards in health and safety and critical inspection in India and Indonesia, while a second phase is now underway to train thousands more people in Indonesia, India, the Philippines, and Thailand.

The response to ISEP has been overwhelming, with many industries and engineering colleges taking up the offer to provide the programme, with funding support for course fees offered alongside the training itself, providing theory and practical sessions through classroom-based and online teaching, followed by an examination.

You can hear directly from candidates about the impact of SEASEP in Indonesia at this YouTube link: <https://youtu.be/wQCyhAlenTg>



The following video shows how SEASEP inspired Ms Vina Nanda Garjati in Indonesia to change her career and become a lecturer at Jakarta State Polytechnic: <https://youtu.be/TO5RDr7oefo>



These are just some examples of the positive impact of ISEP, which has allowed many candidates to develop their careers and gain international certification in skills that improve both quality control and health and safety for employees. With candidates being able to take advantage of funding for the courses, we were able to reach disadvantaged sections of society and improve skills and build self-confidence for the future.

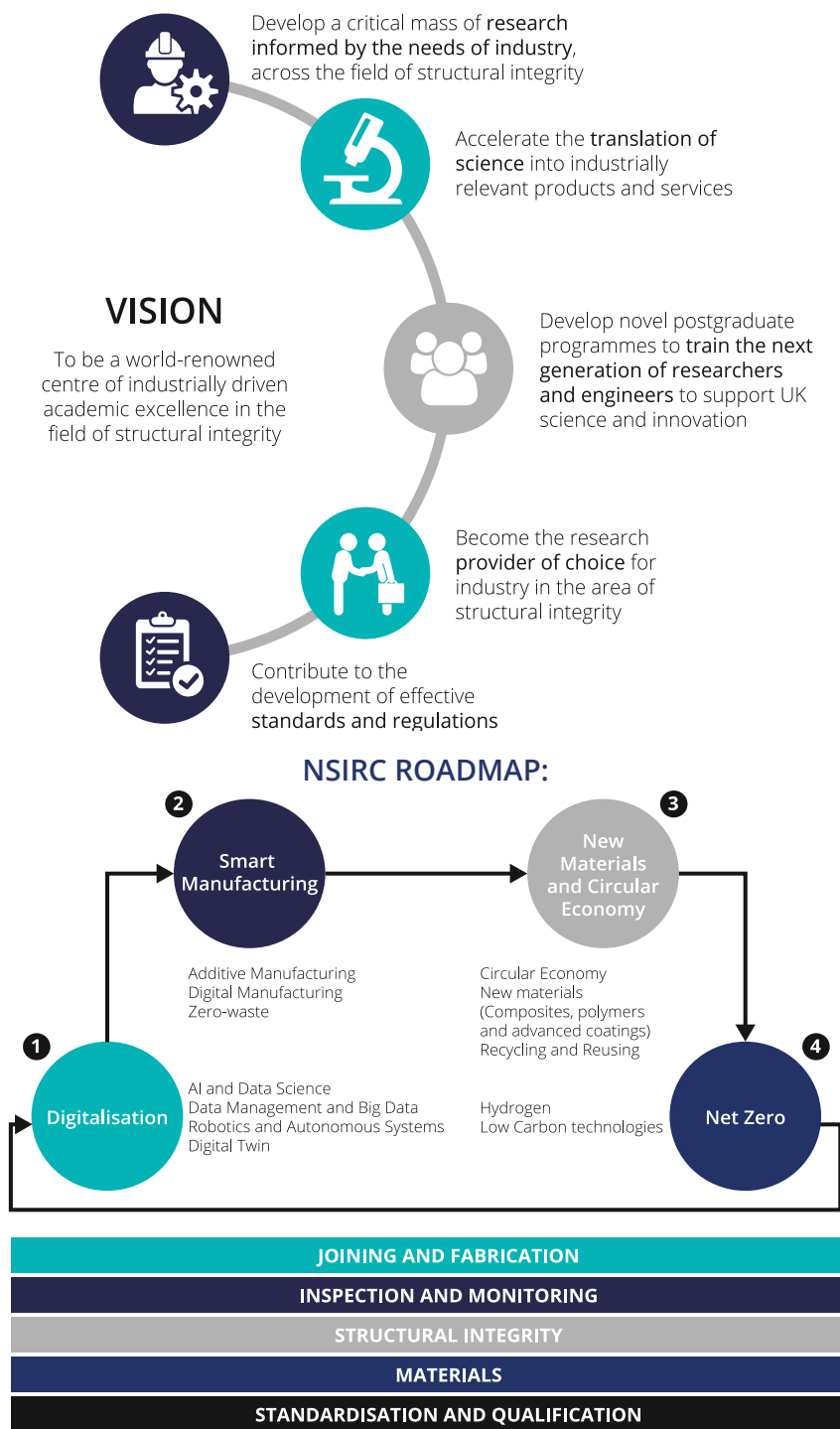
# NATIONAL STRUCTURAL INTEGRITY RESEARCH CENTRE (NSIRC)

Established in 2012 by TWI Ltd, Lloyd’s Register Foundation and BP as the UK’s first industry-led postgraduate research centre, NSIRC has worked with 45 UK, European and international universities to undertake research informed by the needs of industry while also training the next generation of researchers and engineers in support of UK science and innovation.

Working with TWI Industrial Members, NSIRC

is able to target real-world challenges, needs and opportunities in areas including smart manufacturing, materials and coatings innovation, the circular economy, automation, data science, digitalisation and robotics, as well as environmental concerns with low carbon technologies, hydrogen, zero waste manufacture, and the drive towards Net Zero.

NSIRC has already supported 382 postgraduate students, with a 32% female participation rate, achieving 16 awards and recognition for research excellence from external organisations. The work



of NSIRC students has been presented in nearly 900 publications, including journals, posters and in presentations at UK and international conferences.

NSIRC research has contributed to 13 standards updates and delivered the equivalent of 900 years of PhD research since 2012. In addition, the students have themselves helped inspire others through 358 days of community outreach

activities with young engineers, schools and universities.

Many of those who have passed through the NSIRC programme have gone on to prestigious research and engineering roles with companies including DNV, Tesla, Scottish Power, PA Consulting, Three UK, Rolls Royce, Subsea 7, P2i, Nuclear AMRC, and Dyson, among others.

NSIRC DEGREES:

DOCTORATE	MANAGEMENT - MASTERS	UPCOMING – PHD (2023)	UPCOMING – MASTERS (2024)
<b>PHD IN STRUCTURAL INTEGRITY</b>  45 UK, European and international universities	<b>SENIOR LEADERSHIP (EXECUTIVE) APPRENTICESHIP</b>  De Montfort University	<b>INNOVATION AND MANAGEMENT PHD</b>  Anglia Ruskin University	<b>MSC IN ADVANCED AUTOMATED NDT</b>
<b>MSC IN STRUCTURAL INTEGRITY (ASSET RELIABILITY MANAGEMENT)</b>  Brunel University London	<b>MSC IN OIL AND GAS ENGINEERING</b>  Brunel University London	<b>MSC IN LIGHTWEIGHT STRUCTURES IMPACT ENGINEERING</b>  Brunel University London	<b>MSC IN HYDROGEN TECHNOLOGY</b>

BRUNEL UNIVERSITY LONDON

NSIRC: OBJECTIVES AND FUTURE:









## OUTREACH TO SCHOOLS (STEM)

The Welding Institute's Younger Member Committee members, Matt Haslett and Pedro Santos, took our 'Welding with Chocolate' activity to Burnley College. The activity uses chocolate bars and weights to demonstrate the load bearing capabilities of different structures.

The successful event was organised by the North West Branch of The Welding Institute, Nelson employer Graham Engineering Ltd, and hosted by Themis.

The event was attended by leading employers in the engineering and advanced manufacturing sector, advanced vocational engineering students from the sixth form college, and Themis apprentices.

While Pedro and Matt ran 'Welding with Chocolate' exhibition stand in the college's atrium, Fronius also provided a virtual welding simulator for the day so people could try their hand at welding.

The popular event also included a tour of Burnley College's award-winning Centre of Engineering Excellence, which offers students a glimpse at the type of environment that students and apprentices will encounter in the workplace.

## £22 MILLION INVESTED BACK INTO TWI R&D FACILITIES AND EQUIPMENT

The Group has invested £22m since 2018 into improving our facilities across the UK and upgrading the equipment that is available for use in Industrial Member projects.

As a non-profit distributing enterprise, TWI has reinvested income into our facilities, improving and expanding the working environment at our sites in Port Talbot, Middlesbrough and Great Abington near Cambridge.

This includes an investment in new equipment to allow us to remain on the cutting-edge of technology and provide a world-beating service to our customers working in industries including nuclear, electrification, new energy, construction and infrastructure, advanced manufacturing, aerospace, defence, and more.

The investment into new technology and infrastructure has been made achievable by advances made over the last four years that have seen the Group's net worth grow from £57 million in 2018 to £215 million in 2021.

We have expanded our capabilities for structural integrity, characterisation and non-destructive testing of welds and additive manufactured parts as well as the assessment of materials in harsh environments. This includes a new permeation rig that can help assess the lifetime of materials, including polymers, while also monitoring their potential environmental impact.

Our modelling and simulation facilities have also been developed further, allowing for virtual testing to be undertaken for purposes such as structural integrity ahead of any physical testing, thereby reducing costs for our customers.


TWI testing has also been advanced for aggressive environments, including the assessment of pipelines with our bespoke full-scale testing system for materials in sour environments. In addition we provide corrosion testing services, drawing upon our knowledge and expertise alongside practical problem-solving skills. These testing services are proving particularly important for new and emerging technologies in energy, such as hydrogen.

We can also deliver manufacturing and in-service inspection using robotic systems capable of offering continuous and highly repeatable inspection at a reduced cost, while our new generation of cobots are able to work safely alongside humans in-situ.

TWI is, of course, well known for welding and joining processes such as electron beam, laser joining and a range of different friction processes and additive manufacture. These services have also seen investments, including the installation of a new electron beam machine.

You can find out more about our increased capabilities in areas related to new materials, testing, inspection, digital technologies, hydrogen, permeation and more in the video below:

<https://www.youtube.com/watch?v=286Qlf3Qs5s>



# **BOARD DECISION MAKING – SECTION 172 STATEMENT**

# BOARD DECISION MAKING

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:

The Companies (Miscellaneous Reporting) Regulations 2018 require qualifying companies to publish a statement explaining how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in performing their duties under section 172. In accordance with section 172, the Directors confirm that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole. The paragraphs below identify key stakeholders and provide examples of how the Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Act.

## **S172(1)(A) - THE LIKELY LONG TERM CONSEQUENCES OF DECISIONS**

The Directors regularly consider the long term consequences of the Board's decisions and actions. As an example, during 2021 Council engaged with the directors of TWI Ltd to facilitate a voluntary pension contribution by The Welding Institute as a participating employer to the Defined Benefit Scheme amounting to £16.8m.

This contribution was proposed in order to reduce the overall deficit, to make the Group

more tax efficient, and to allow the business a period of time in which it would not be required to effect cash contributions (thus allowing the company a period of time where deficit reduction payments would not be required).

## **S172(1)(B) - THE INTERESTS OF THE COMPANY'S EMPLOYEES**

The interests of Group employees have been key to decisions made by the Directors, and were paramount throughout the Covid-19 pandemic – with focus on how to continue working effectively while prioritising staff safety and wellbeing. Accordingly, Group-wide protocols and initiatives initially put in place in 2020 have been maintained and are regularly reviewed and updated to protect and support employees. The implementation of our diversity and inclusion strategy continues to be a key component, as detailed in our Directors Report under Board Decision Making.

## **S172(1)(C)- THE NEED TO FOSTER BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS**

The Directors have regard to the need to foster good relationships with customers through, for example, the implementation of key account management, the development and improvement of service offerings, and the on going review and strengthening of the Group's Quality Assurance procedures. The Directors take into account the need for good business relationships with suppliers when reviewing key and critical supplier lists, and supplier payment terms.

## **S172(1)(D) - THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT**

The Directors are conscious of the importance of investing in and caring for the physical environments and communities in which TWI operates. These initiatives are detailed in our Directors Report under Environmental, Social and Governance.

## **S172(1)(E) - THE DESIRABILITY OF MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT**

The Directors are committed to high standards of business conduct throughout the Company and take into account the desirability of maintaining its reputation for the same in their decision making. To support this the company has initiated a policy review and consolidation to provide our stakeholders on clear guidelines for our operations.

## **S172(1)(F) - THE NEED TO ACT FAIRLY AS BETWEEN SHAREHOLDERS**

Due to the governance nature of The Welding Institute, the Directors ensure that there are regular, formal meetings with the various committees and representatives of its Group.

When acting between shareholders, Directors will weigh up all relevant factors and consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders.



An aerial photograph of a city, likely Sydney, Australia, showing a mix of urban development and green spaces. A large, dark blue diagonal overlay covers the left and center portions of the image. The text 'COUNCILS REPORT' is written in white, bold, sans-serif capital letters within this blue area. The number '38' is located in the bottom left corner, also in white, outlined font.

# COUNCILS REPORT

# COUNCILS REPORT

## 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.

Members of Council who served during 2021:

NAME	MEMBERSHIP CATEGORY	FIRST ELECTION TO MEMBERSHIP CATEGORY	DATE RESIGNED
Ammer Jadoon	Industrial	13/09/2021	31/01/2023
Andrew Low	Professional	17/03/2020	17/03/2023
Andrew McDonald	Industrial	01/06/2020	03/07/2021
Andrew Schofield	Industrial	01/07/2020	30/06/2022
Darren Wood	Industrial	17/03/2020	19/04/2022
David Mallaburn	Industrial	18/11/2015	03/07/2021
David Wrathmall	Co-opted	17/03/2020	17/03/2023
Francis Laud	Industrial	18/03/2020	23/05/2022
Gary Jones	Industrial	24/03/2021	14/12/2021
Georgia Gascoyne	Industrial	18/03/2020	08/10/2021
Iain Boyd	Professional	18/11/2015	03/07/2021
Ihsan Al-Taie	Industrial	01/04/2020	15/06/2021
John O'Brien	Co-opted	01/06/2020	24/06/2022
John Rafferty	Professional	21/09/2020	06/06/2022
Norman Cooper	Co-opted	07/07/2004	23/03/2021
Qing Lu	Industrial	29/09/2020	17/03/2023
Ruth Boumphrey	Co-opted	01/06/2020	03/07/2021
Stephen Beech	Professional	01/07/2015	03/07/2021
Steven Jones	Professional	13/07/2020	18/01/2021

## HONORARY OFFICERS AND MEMBERS OF COUNCIL

### 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

Claire Kimpton

Kamran Mahmood

Peter Stones

Simon Webster

**The following Members of the Finance and General Purposes Committee completed their terms of office or resigned after 1 Jan 2021**

Ammer Jadoon

John O'Brien

John Rafferty





## HONORARY OFFICERS AND MEMBERS OF COUNCIL

### 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

Annelyse Fournier

#### Members

Kamran Mahmood

Laura Hughes

#### The following Members of the Audit Committee completed their terms of office or resigned after 1 Jan 2021

David Wrathmall

Francis Laud

Georgia Gascoyne



## POST BALANCE SHEET EVENTS

With the exception of the matters disclosed in note 31 to the financial statements there are no other post balance sheet events.

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the company and Group for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies for the company's financial statements and then apply them consistently;
- Make judgements 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## GOING CONCERN STATEMENT

The directors have reviewed the Group's expenditure requirements and expected cash flows with regard to the financial strategy. Having reviewed the forecast model for the period to June 2024 and considering the substantial cash injection from the sale of land 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. The directors have also prepared stress testing on our forecast model and have considered the impact of the cost-of-living crisis on our expenditure base and full cash return of EU Partner funds in 2023, and the model indicates that the Company will still have sufficient access to working capital to meet all its obligations. These obligations include providing appropriate support to fellow subsidiaries as required. Accordingly, they have adopted the going concern basis in preparing the report and accounts.

## AUDITOR

Grant Thornton UK LLP were appointed as Group auditor on 07 November 2020 and were re-appointed at the Council Meeting of 15 March 2023. Grant Thornton UK LLP are willing to continue in office and resolution to reappoint them was confirmed at the Council Meeting of 15 March 2023.

## DIRECTORS INDEMNITIES

The Directors have the benefit of an indemnity provision contained in the Articles. The Directors have also been granted a qualifying third party indemnity provision which was in force throughout the financial year and remains in force. In addition, throughout the year the Company purchased and maintained Directors' and Officers' liability insurance in respect of itself and for its Directors and Officers.

## DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- The director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This report was approved by the board and signed on its behalf by:

Humbert Mozzi

Chair

Date: 21 June 2023





# INDEPENDENT AUDITORS REPORT

# INDEPENDENT AUDITORS REPORT

## OPINION

We have audited the financial statements of The Welding Institute (the 'Group') for the year ended 31 December 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Institute Balance Sheet, the Consolidated Statement of Changes in Equity, the Institute Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 the parent company's affairs as at 31 December 2021 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 'Auditor's responsibilities for the audit of

the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the

Group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

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

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

## OTHER INFORMATION

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

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

We have nothing to report in this regard.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

## MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and the industry in which it operates. We determined that the following laws and regulations were most significant; UK GAAP (FRS102), Companies Act 2006 and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, including laws and regulations relating to employment matters, health and safety, data security and protection and consumer Credit Licensing.
- We obtained an understanding of how the group is complying with those legal and regulatory frameworks by making inquiries of management. We corroborated our inquiries through our review of board minutes and examination of the Group's correspondence with appropriate regulators.
- We enquired of management, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. Management has not noted any matters of non-compliance with laws and regulations or fraud that were communicated with the audit team. We corroborated this through our review of board minutes and professional fees incurred during the year.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
  - Knowledge of the industry in which the client operates; and
  - understanding of the legal and regulatory requirements specific to the entity including the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interpret those rules, the applicable statutory provisions.
- It is the engagement partner's assessment that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.
- We assessed the susceptibility of the group's financial statements to material misstatements, including how fraud might occur. Audit procedures performed by the audit engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in making its significant accounting estimates;
  - identifying and testing journal entries, in particular any large or unusual journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements; and
  - assessing the extent of compliance with certain significant laws and regulations that may have an effect on the determination of the accounts and disclosures in the financial statements.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit; and
- We completed audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.


**Paul Brown**

**Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge**

**Date: 21 June 2023**







# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

REGISTERED NUMBER: 00405555  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	(As restated) 2020
	Note	£000	£000
Turnover	4	<b>63,470</b>	67,992
Cost of sales		<b>(41,212)</b>	(55,144)
<b>GROSS PROFIT</b>		<b>22,258</b>	12,848
Administrative expenses		<b>(27,901)</b>	(22,636)
Other operating income	5	<b>93,946</b>	33,104
Other operating charges		<b>507</b>	(5)
<b>OPERATING PROFIT</b>	6	<b>88,810</b>	23,311
Interest payable and similar expenses	10	<b>(588)</b>	(721)
Other finance costs	11	<b>(497)</b>	(824)
<b>PROFIT BEFORE TAX</b>		<b>87,725</b>	21,766
Tax on profit	12	<b>(3,263)</b>	(4,554)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>84,462</b>	17,212
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
Unrealised surplus on revaluation of tangible fixed assets	13	<b>44,433</b>	4,935
Deferred tax on revaluation of tangible fixed assets	22	<b>(13,779)</b>	(481)
Actuarial gains/(losses) on defined benefit pension scheme	28	<b>19,360</b>	(3,915)
Movement of deferred tax relating to pension surplus	28	<b>(4,840)</b>	743
Movement on foreign exchange reserve		<b>(4)</b>	122
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>45,170</b>	1,404
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>129,632</b>	18,616

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 62 to 93 form part of these financial statements.



# **CONSOLIDATED BALANCE SHEET**

REGISTERED NUMBER: 00405555  
CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2021

			(As restated)
		2021	2020
	Note	£000	£000
FIXED ASSETS			
Tangible assets	13	145,607	98,374
Investment in Associates	13	8	-
Investment property	14	50,680	63,584
Total Fixed Assets		196,295	161,958
CURRENT ASSETS			
Stocks		-	250
Debtors: amounts falling due after more than one year	16	3,717	8,241
Debtors: amounts falling due within one year	16	28,851	37,285
Cash at bank and in hand	17	99,239	11,978
TOTAL CURRENT ASSETS		131,807	57,754
Creditors: amounts falling due within one year	18	(57,941)	(54,472)
NET CURRENT ASSETS		73,866	3,282
TOTAL ASSETS LESS CURRENT LIABILITIES		270,161	165,240
Creditors: amounts falling due after more than one year	19	(22,282)	(19,935)
PROVISIONS FOR LIABILITIES			
Deferred tax	22	(27,224)	(15,413)
Onerous provisions	20	(1,168)	(1,128)
Pension liability	21	(4,468)	(43,377)
NET ASSETS		215,019	85,387
CAPITAL AND RESERVES			
Share Capital		-	-
Freehold property revaluation reserve		65,595	34,941
Foreign exchange reserve		1,837	1,841
Profit and loss account		147,587	48,605
TOTAL CAPITAL AND RESERVES		215,019	85,387

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2023.

**Humbert Mozzi**  
Chair

The notes on pages 62 to 93 form part of these financial statements.

**INSTITUTE BALANCE SHEET  
AS AT 31 DECEMBER 2021**

		<b>2021</b>	<b>2020</b>
	Note	<b>£000</b>	£000
<b>FIXED ASSETS</b>			
Investments	14	<b>10,358</b>	10,358
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	16	<b>56,395</b>	3,735
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>66,753</b>	14,093
<b>NET ASSETS</b>		<b>66,753</b>	14,093
<b>CAPITAL AND RESERVES</b>			
Profit and loss account brought forward		<b>14,093</b>	22,803
Profit / (loss) for the year		<b>52,660</b>	(8,710)
Profit and loss carried forward		<b>66,753</b>	14,093
<b>TOTAL CAPITAL AND RESERVES</b>		<b>66,753</b>	14,093

The Institute has applied the exemption available under Companies Act 2006 s408 and has not presented an individual Statement of Comprehensive Income. The Institutes profit for the year was £52,660,000 (2020: loss of £8,710,000). The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2023.

**Humbert Mozzi**

Chair

The notes on pages 62 to 93 form part of these financial statements.





A woman with brown hair, wearing a blue blazer over a white shirt with small blue polka dots, is holding a tablet. She is smiling slightly and looking towards the camera. The background is a blurred industrial setting with metal structures and other people in the distance. A dark blue diagonal overlay covers the left side of the image, containing the title text.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Freehold Property Revaluation Reserve	Foreign Exchange Reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	31,567	1,841	53,830	87,238
Prior year adjustments	3,374	-	(5,225)	(1,851)
<b>AT 1 JANUARY 2021 (AS RESTATED)</b>	<b>34,941</b>	<b>1,841</b>	<b>48,605</b>	<b>85,387</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>				
Profit for the year			84,462	84,462
Movement on foreign exchange reserve	-	(4)		(4)
Actuarial gains on pension scheme (net of deferred tax)			14,520	14,520
Surplus on revaluation of freehold property	44,433	-	-	44,433
Deferred tax on revaluation	(13,779)	-	-	(13,779)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>30,654</b>	<b>(4)</b>	<b>98,982</b>	<b>129,632</b>
<b>AT 31 DECEMBER 2021</b>	<b>65,595</b>	<b>1,837</b>	<b>147,587</b>	<b>215,019</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Revaluation Reserve	Foreign Exchange Reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2020	30,487	1,719	34,565	66,771
Prior year adjustment	1,676		(2,868)	(1,192)
<b>AT 1 JANUARY 2020 (RESTATED)</b>	<b>32,163</b>	<b>1,719</b>	<b>31,697</b>	<b>65,579</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>				
Profit for the year (restated)	-	-	20,080	20,080
Movement on foreign exchange reserve	-	122		122
Actuarial losses on pension scheme	-	-	(3,172)	(3,172)
Surplus on revaluation of freehold property	3,259	-	-	3,259
Deferred tax on revaluation	(481)	-	-	(481)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,778</b>	<b>122</b>	<b>16,908</b>	<b>19,808</b>
<b>AT 31 DECEMBER 2020 (RESTATED)</b>	<b>34,941</b>	<b>1,841</b>	<b>48,605</b>	<b>85,387</b>

The notes on pages 62 to 93 form part of these financial statements.

# INSTITUTE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Profit and loss account	Total equity
	£000	£000
<b>AT 1 JANUARY 2020</b>	<b>22,803</b>	<b>22,803</b>
Profit for the year	(8,710)	(8,710)
<b>AT 1 JANUARY 2021</b>	<b>14,093</b>	<b>14,093</b>
Profit for the year	52,660	52,660
<b>AT 31 DECEMBER 2021</b>	<b>66,753</b>	<b>66,753</b>

The notes on pages 62 to 93 form part of these financial statements.





A photograph of an industrial facility, likely a refinery or chemical plant, with large storage tanks and distillation columns. In the foreground, a worker wearing a white hard hat and a high-visibility orange safety vest stands on a gravel path, looking towards the facility. A large, dark blue diagonal graphic element covers the left side of the image, containing the title text.

# CONSOLIDATED STATEMENT OF CASHFLOWS



**CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

		<b>2021</b>	(As restated) <b>2020</b>
	Note	£000	£000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the financial year		<b>84,462</b>	17,212
<b>ADJUSTMENTS FOR:</b>			
Depreciation of tangible assets	13	<b>3,760</b>	2,222
Loss on disposal of tangible assets	13	<b>45</b>	86
Interest payable and similar expenses	10	<b>588</b>	721
Taxation charge		<b>3,263</b>	4,554
Taxation paid		<b>(127)</b>	(127)
Decrease in stocks		<b>250</b>	20
Decrease/(increase) in debtors	16	<b>5,725</b>	(679)
Increase/(decrease) in creditors	18	<b>17,905</b>	(7,036)
Prior year adjustment	25	<b>-</b>	505
Net interest on defined benefit liability	28	<b>497</b>	824
Contributions to defined benefit plan	28	<b>(20,047)</b>	(4,268)
Past Service Costs	28	<b>-</b>	1,180
Net fair value (gains) recognized in P&L	13	<b>(16,946)</b>	(21,751)
Profit on disposal of investment property		<b>(72,756)</b>	-
Foreign exchange differences		<b>(875)</b>	140
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>5,744</b>	(6,397)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets	13	<b>(5,887)</b>	(3,662)
Purchase of investment properties	13	<b>-</b>	(417)
Investment in Associated Companies		<b>(8)</b>	-
Net Proceeds on Sale of Investment Land	13	<b>102,661</b>	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>96,766</b>	(4,079)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of loans	19	<b>(391)</b>	(5,693)
Bank and finance lease interest paid	10	<b>(588)</b>	(721)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(979)</b>	(6,414)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>101,531</b>	(16,890)
Cash and cash equivalents at beginning of year		<b>(2,292)</b>	14,598
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>		<b>99,239</b>	(2,292)
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>			
Cash at bank and in hand	17	<b>99,239</b>	11,978
<b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>		<b>99,239</b>	(2,292)



# NOTES TO THE FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The Company, together with its subsidiaries (the 'Group') is an international science, technology, training provider and consulting organisation, which is supported by a strong balance sheet, underpinned by its sizable land and building assets.

The company is incorporated and domiciled in England and Wales under the Companies Act 2006 and has its primary operations in Granta Park, Great Abington, Cambridge, United Kingdom.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 21 June 2023.

The Group operates across a diverse revenue base, this is detailed in its accounting policies.

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention except for the modification to fair value basis for certain financial instruments and freehold property as specified in the following accounting policies.

The financial statements have been prepared in accordance with the Financial Reporting

Standard 102 in the UK and the Republic of Ireland (FRS102) and the Companies Act 2006.

The presented in Sterling and all values are rounded to the nearest pound (£'000) thousands except when otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Accounting policies consistent with those of the parent are used and all intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### PARENT COMPANY SEPARATE FINANCIAL STATEMENTS

In preparing the separate financial statements of The Welding Institute, advantage has been taken of the following disclosure exemptions available in FRS 102 on the basis the information is included in the consolidated financial statements:

- the requirement to present a statement of cash flows and the related notes;
- financial instrument disclosures (except for intercompany balances) including:
  - categories of financial instruments;

- items of income, expenses, gains or losses relating to financial instruments; and
- exposure to and management of financial risks

The following principal accounting policies have been applied:

## 2.2 GOING CONCERN

In assessing the continued appropriateness of the going concern basis of preparation for the Company and the Group, the directors prepared financial models specifically to consider the impact of various stress-test scenarios on the financial performance of the Company and Group. These stress-test scenarios were as follows;

- Loss of revenues similar to during 2020 and during the COVID-19 pandemic,
- The energy crisis currently being experienced in certain international markets,
- Increasing inflationary pressures in key operating markets in both the UK and internationally and the direct business impact thereof.

In assessing the impact of the above scenarios the Directors' have concluded that the Company and Group have sufficient resources to continue in operation for a period of at least 12 months from the date that the financial statements will be approved.

In addition to the above the directors have considered the cash balance of £99.2m as at 31 December 2021 across the Group and have assessed future cash flows for a period of 12 months from the date that the financial statements are approved. There are no events or conditions which were reflected in the financial models which cast significant doubt on the ability of the Group to continue as a going concern.

The Directors have therefore concluded that the going concern assumption is appropriate for the preparation of the financial statements.

## 2.3 TURNOVER

Turnover for the Group is recognised on key revenue streams, namely;

- Provision of research and development consultancy
- Provision of Laboratory and Office space
- Training and upliftment services
- Subscription Income

The Group recognises income at the fair value of the consideration received or receivable when the significant risks and rewards have been transferred, the amount of income can be measured reliably and it is probable that future economic benefits will flow to the company.

It 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:

### INCOME RECOGNITION RESEARCH AND DEVELOPMENT CONSULTANCY

Turnover from the provision of research and development consultancy 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, with consideration to the overall cost to deliver the project to the client with an adjustment if the project is forecast to overrun.

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. Estimated total hours are calculated for each project and progress to completion is based on detailed timesheets submitted.

Where the estimated costs to deliver a project exceed the amount of turnover the Group will receive for the deliverables of the project, the Group recognises an onerous contract provision when these circumstances are identified. This is recognized through the profit and loss statement at the date that the circumstances are identified by the Group. An annual review of all such projects is reviewed and the provision is accordingly adjusted as required.

In the case of both time and materials and fixed

price contracts, the customer pays for the value of services provided based on an invoicing and payment schedule. If the services rendered by the Group at the reporting date exceed the payments received to date, a contract asset is recognised (within trade receivables if the sales invoice has been raised or amounts recoverable on contracts if the services rendered have not been invoiced). If the payments exceed the services rendered, a contract liability is recognised. Consideration is payable when invoiced based on contractual payment terms.

### **TRAINING AND UPLIFTMENT SERVICES**

Turnover from training and upliftment services is recognised when the course is delivered to the candidate. Where the course is yet to be delivered, any amounts received are deferred and recognised as a liability on the Balance Sheet.

### **PROVISION OF LABORATORY AND OFFICE SPACES**

Turnover from the provision of laboratory and office space is recognised over the rental period. Any amounts received in advance are recognised on a straight line basis.

The aggregate costs of lease incentives are recognized as a reduction to the income recognized over the lease term on a straight-line basis.

### **SUBSCRIPTION INCOME**

Subscription income for membership services is recognised on a straight-line basis over the period of membership.

### **2.4 SALE OF INVESTMENT PROPERTY**

Profit is recognised upon the official completion of the contracts. Profit is recognised as part of the Group's other income in the period in which it is realised. The profit on the disposal is calculated as the difference between the selling price and the carrying value of the investment property.

### **2.5 GOVERNMENT GRANTS**

Grants are accounted under the accruals model in accordance with 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 that are aligned to our research and development consultancy services are recognised as income in the same period as the related expenditure.

Where the grant is drawn down based on expense submissions provided by the Group and subject to approval by the funding body, amounts received are recognised as capital or income at the point of approval as this is the point at which the amount of income can be measured reliably and it is probable that future economic benefits will flow to the Group.

These amounts include costs incurred and a mark-up in line with the contract.

The deferred element of grants is included in creditors as deferred income.

### **2.6 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.

### **2.7 BORROWING COSTS**

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

### **2.8 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 payment obligations.

The contributions are recognised as an expense in profit or loss 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**

The Group operates 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.

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:

- the increase in net pension benefit liability arising from employee service during the period; and

- 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'.

## **HOLIDAY PAY ACCRUAL**

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

## **2.9 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at bank and in hand and on demand deposits, together with short term, liquid investments that are readily convertible to a known amount of cash and that are subject to a minimal risk of changes in value.

### **2.10 LEASES LEASED ASSETS: LESSEE**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor.

Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Finance lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases.



Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

## LEASED ASSETS: LESSOR

Where the Group acts as lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incident to ownership of the underlying assets. If this is the case, then the lease is treated as a finance lease; if not, then the lease is treated as an operating lease. The Group recognised lease payments received under operating leases as income on a straight-line basis over the lease term. The aggregate costs of lease incentives are recognized as a reduction to the income recognized over the lease term on a straight-line basis.

## 2.11 RESEARCH AND DEVELOPMENT

Research and development expenditure is expensed in the year in which it is incurred. Any tax credit receivable under the large company Research and Development tax scheme is included as operating income.

## 2.12 TANGIBLE ASSETS AND DEPRECIATION

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 Group 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:

Freehold property	2% per annum
Short-term leasehold property	Over the period of the lease
Plant & Machinery	10% or 20% per annum
Fixtures, Fittings and Computer Equipment	10% or 20% per annum

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.

## 2.13 REVALUATION OF TANGIBLE FIXED ASSETS

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken on an annual basis 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 other 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.

## 2.14 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.

## 2.15 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 company 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.

## 2.16 FINANCIAL INSTRUMENTS

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial instruments include Debtors, Cash and Cash Equivalents and Creditors and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets which qualify as basic financial instruments as laid out in FRS 102 paragraph 11.8, including trade and other receivables and cash and bank balances, are subsequently valued at amortised cost and assessed for impairment at the end of each reporting period. Any other financial assets, including investments, are subsequently valued at fair value.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial assets and liabilities are only offset in the Balance Sheet when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

## 2.17 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Where the estimated costs to deliver a project exceed the amount of turnover the Group will receive for the deliverables of the project, the Group recognises an onerous contract provision when these circumstances are identified.

This is recognised through the profit and loss statement at the date that the circumstances are identified by the company. An annual review of all such projects is reviewed and the provision is accordingly adjusted as required.

## **2.18 FOREIGN CURRENCY TRANSLATION FUNCTIONAL AND PRESENTATION CURRENCY**

The Group's financial statements are presented in Sterling (£) and rounded to thousands (unless stated otherwise). The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). These financial statements are then translated into the Group's presentation currency for consolidation purposes as described below.

The Group's functional and presentational currency is Sterling.

### **Transactions and balances**

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency 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.

Exchange differences are recognised in profit or loss in the period in which they arise.

### **Translation of group companies**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated from their functional currency to Sterling using the closing exchange rate.

Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising on the translation of group companies are recognised in other comprehensive income. If the Group disposes of the foreign operation the cumulative exchange difference is not reclassified to profit or loss but is

transferred within equity to retained earnings.

## **2.19 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 or expense is recognised as other comprehensive income or to an item recognized 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 company operates and generates income.

Deferred tax balances are recognized 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 their reversal of deferred tax liabilities or other future taxable profits.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using rates and laws that have been enacted or substantively enacted at the Balance Sheet date.

## **2.20 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

Investments in subsidiaries and associates are recognised in the balance sheet at cost. The carrying value of these investment are assessed for impairment at the Balance Sheet date.

## **2.21 DISCLOSURE EXEMPTIONS: RELATED PARTY TRANSACTIONS**

The Group has taken advantage of exemptions available under FRS 102 and, accordingly have not disclosed related party transactions with subsidiaries of the Company.

## **2.22 DISCLOSURE EXEMPTIONS: FINANCIAL INSTRUMENTS**

The Group has taken advantage of the exemption under FRS 102 and, accordingly have not disclosed financial instruments which are recognised as amortised costs.

### 3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires the application of certain estimates and judgements. The material areas of either estimation or judgement are set out below. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation and uncertainty made in applying the company's accounting policies:

LIABILITIES ON DEFINED BENEFIT PENSION SCHEME	
The actuaries provide a summary of the actuarial assumptions proposed based on FRS 102 requirements and these are reviewed and, where appropriate, challenged by management.	Key estimates are the rate of future salary increases. The discount rate applied and utilised The rate of inflation.
INVESTMENT PROPERTY	
Fair values are prepared by recognised external valuers and reviewed and challenged by management.	Key estimates include discount rates and other future market conditions.
CONTRACT INCOME	
Income on certain projects is recognised on a percentage completion basis.	Key estimates are the estimated stage of completion and the identification of any potential project overruns. Factors considered are failure to meet payment terms and known market conditions.
PROVISIONS FOR TRADE DEBTS	
Provisions are made for any amounts considered to be irrecoverable.	Factors considered are failure to meet payment terms and known market conditions.
DEFERRED TAX	
Deferred tax assets and liabilities are calculated based on expected timings and tax rates of reversals of timing differences.	Key estimates are the ability to meet the conditions for the reversal of the timing differences, the timing of the reversal and the tax rates at the time of reversal.
ONEROUS CONTRACTS	
A provision for onerous contracts are recognized where the estimated costs to completion will exceed the expected turnover received from the client on a fixed-priced project.	Key estimates and judgments are made on the costs and efforts in order to meet the deliverables as per the agreed customer contract. Considerations such as technological challenges and testing failures are considered.

## 4. TURNOVER

An analysis of turnover by class of business is as follows:

TURNOVER BY CLASS OF BUSINESS	(As restated)	
	2021	2020
	£000	£000
Membership subscriptions	6,415	7,336
Contracts	33,366	49,087
Training, examination, certification and other	23,689	11,569
<b>TOTAL TURNOVER</b>	<b>63,470</b>	<b>67,992</b>

An analysis of turnover by country of destination is as follows:

TURNOVER BY COUNTRY OF DESTINATION	(As restated)	
	2021	2020
	£000	£000
United Kingdom	32,083	37,816
Rest of Europe	9,296	6,996
Rest of the world	22,091	23,180
<b>TOTAL TURNOVER</b>	<b>63,470</b>	<b>67,992</b>

Refer to note 25 for changes in the comparative figures.

## 5. OTHER OPERATING INCOME

OTHER OPERATING INCOME	(As restated)	
	2021	2020
	£000	£000
Research & development expenditure credit	1,824	1,942
Net rents receivable	1,408	1,676
Profit on disposal of investment property	72,756	-
Government grants released	134	5,621
Job Retention Scheme	-	1,382
Other operating income	868	732
Revaluation of Investment Property	16,956	21,751
<b>TOTAL OTHER OPERATING INCOME</b>	<b>93,946</b>	<b>33,104</b>

Income recognised as part of Government Grants, included the income related to the regional growth fund, funding received from this fund was all recognised in 2020.

Included within other operating income is income recognised from an initiative with the Welsh Government, (AEMRI) is recognised as follows; 2021 £868,000 (2020: £732,000). Job retention scheme represent amounts receivable under the Coronavirus Job Retention Scheme (CJRS) of £Nil (2020: £1,382,000) to cover salaries of furloughed staff.

The group revalued its investment properties by an external valuer resulting in a surplus of £16,956,000 at year end.

During the period the Group concluded a sale of its rights to a parcel of land within the Granta Park Estate, in Greater Cambridge, this transaction was named the Zone 2 disposal. The land was sold for total consideration (net of transaction costs) of £102.6m resulting in a profit on disposal of £72.7m.

## 6. OPERATING PROFIT

The operating profit is stated after charging:

	(As restated)	
	2021	2020
	£000	£000
Research & development charged as an expense	13,536	15,230
Exchange Differences	(80)	5
Other operating lease rentals	787	485
Depreciation of tangible fixed assets	3,760	3,602
Profit and loss of disposal of tangible assets	(45)	(14)

## 7. AUDITOR'S REMUNERATION

	2021	(As restated) 2020
	£000	£000
The auditing of accounts of associates of the company pursuant to legislation	54	58
Fees payable to the company's auditor and its associates in respect of:		
Audit of the Group's annual accounts	-	15
Audit of the Subsidiaries annual accounts	170	87
Other audit services	32	96
Other services relating to taxation	-	41
All other services related to overseas operations	20	9
Audit of the overseas Subsidiaries annual accounts	70	60
<b>TOTAL AUDITORS REMUNERATION</b>	<b>346</b>	<b>366</b>

## 8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2021	(As restated) 2020
	£000	£000
Wages and salaries	28,410	29,873
Social security costs	2,743	2,438
Cost of defined benefit scheme	3,070	1,869
Cost of defined contribution scheme	147	2,960
<b>TOTAL STAFF COSTS</b>	<b>34,370</b>	<b>37,140</b>



The average monthly number of employees, including subsidiary directors, during the year was as follows:

	(As restated)	
	2021	2020
	No. Employees	No. Employees
Average number of employees	771	796

During the year no Members of Council received any emoluments (2020 - £NIL). The Welding Institute had no employees, other than the Members of Council, in both financial periods, all staff in the Group are employed by its subsidiary companies.

## 9. DIRECTORS' AND KEY MANAGEMENT REMUNERATION

	(As restated)	
	2021	2020
	£000	£000
Key Management Personnel's emoluments	2,141	1,621

During the year retirement benefits were accruing to 0 directors (2020: 5) in respect of defined benefit pension schemes. The highest paid member of key management personnel received remuneration of £299,800 (2020: £282,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid member of key personnel amounted to £67,800 (2020: £97,000).

During the year retirement benefits were accruing to 8 (2020: 5) members of the Executive Team as part of the defined contribution plan pension scheme.

## 10. INTEREST PAYABLE AND SIMILAR CHARGES

	2021	(As restated) 2020
	£000	£000
Bank interest payable	480	603
Finance leases	108	118
<b>TOTAL INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>588</b>	721

## 11. OTHER FINANCE COSTS

	2021	(As restated) 2020
	£000	£000
Net interest on net defined benefit obligation (note 28)	497	824

## 12. TAXATION

	2021	(As restated) 2020
	£000	£000
<b>CORPORATION TAX</b>		
Current tax on profits for the year	2,453	25
Foreign tax on income for the year	101	102
Adjustment in respect of previous periods	284	-
<b>TOTAL CURRENT TAX</b>	<b>2,838</b>	127
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	2,938	(243)
Adjustments in respect of prior periods	(2,908)	-
Effect increased/decreased tax rate on opening balance	383	(363)
Charged to Profit and Loss account	-	-
Capital Gains	12	5,033
<b>TOTAL DEFERRED TAX</b>	<b>425</b>	4,227
<b>TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<b>3,263</b>	4,554

## TAXATION - CONTINUED

### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	(As restated) 2020
	£000	£000
Profit on ordinary activities before tax	87,725	20,089
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	16,668	3,817
<b>EFFECTS OF:</b>		
Fixed asset differences	(13,897)	689
Expenses not deductible for tax purposes	5,756	(8)
Income not taxable for tax purposes	(2,200)	(4,583)
Other permanent differences	(15,871)	1,546
Chargeable gains/(losses)	13,590	-
Foreign tax credits	-	127
Adjustments to tax charge in respect of previous periods	284	(34)
Adjustments in respect of previous periods – deferred tax comprehensive income	(2,908)	262
Remeasurement of deferred tax for changes in tax rates	786	(486)
Movement in deferred tax not recognised	1,055	3,224
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<b>3,263</b>	<b>4,554</b>

### 13. TANGIBLE FIXED ASSETS

	Long Leasehold Property	Short-term Leasehold Property	Plant and Machinery	Fixtures, Fittings and Computers	Total
	£000	£000	£000	£000	£000
<b>COST OR VALUATION</b>					
At 1 January 2021 (as previously stated)	<b>84,101</b>	<b>5,945</b>	<b>39,372</b>	<b>4,116</b>	<b>133,534</b>
Prior Year Adjustment	3,374	-	-	-	3,374
At 1 January 2021 (as restated)	<b>87,475</b>	<b>5,945</b>	<b>39,372</b>	<b>4,116</b>	<b>136,908</b>
Additions	2,265	52	3,191	379	5,887
Disposals	-	(90)	(311)	-	(401)
Transfers between classes	(176)	291	(115)	-	-
Revaluations	44,223	210	-	-	44,433
Exchange adjustments	(346)	-	113	-	(233)
At 31 December 2021	<b>133,441</b>	<b>6,408</b>	<b>42,250</b>	<b>4,495</b>	<b>186,594</b>
<b>DEPRECIATION</b>					
At 1 January 2021 (as previously stated)	-	<b>953</b>	<b>30,745</b>	<b>3,462</b>	<b>35,160</b>
Transfers between classes	375	-	(375)	-	-
Prior Year Adjustment	3,374	-	-	-	3,374
At 1 January 2021 (as previously stated)	<b>3,749</b>	<b>953</b>	<b>30,370</b>	<b>3,462</b>	<b>38,534</b>
Charge for the year on owned assets	1,669	418	1,419	254	3,760
Disposals	-	(64)	(292)	-	(356)
Transfers between classes	-	(94)	94	-	-
Exchange adjustments	(345)	-	(606)	-	(951)
At 31 December 2021	<b>5,073</b>	<b>1,213</b>	<b>30,985</b>	<b>3,716</b>	<b>40,987</b>
<b>NET BOOK VALUE</b>					
At 31 December 2021	<b>128,368</b>	<b>5,195</b>	<b>11,265</b>	<b>779</b>	<b>145,607</b>
At 31 December 2020 (as restated)	83,726	4,992	9,002	654	98,374

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

	2021	2020
	£000	£000
Freehold	128,368	83,726
Short-term leasehold	5,195	4,992
<b>TOTAL</b>	<b>133,563</b>	<b>88,718</b>

The 2021 valuations were made by a qualified external party, on an open market value for existing use basis.

During the period it was identified that an error in the accounting treatment of Depreciation in relation to owner occupied properties had resulted in the Group not correctly recognizing depreciation on properties which it occupies as part of its operations. Further details of this is disclosed in Note 26.

## 14. FIXED ASSET INVESTMENTS

	Institute investments in subsidiary companies	Group investments in Associates
	£000	£000
At 1 January 2021	10,358	-
Additions	-	8
Disposals	-	-
At 31 December 2021	10,358	8

NAME	Registered office	Class of shares	Holding
TWI Limited	England	Ordinary	100
The Test House (Cambridge) Limited 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 Technology (S E Asia) Sdn Bhd	Malaysia	Ordinary	100
TWI Services Bhd	Malaysia	Ordinary	100
TWI Middle East FZ, TWI Gulf WLL	UAE, 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 (dormant)	Belgium	Ordinary	100
TWI Hellas	Greece	Ordinary	100
TWI Global Technology Centre Pte Ltd	Singapore	Ordinary	100
Welding Institute (Malaysia) Bhd	Malaysia	Ordinary	100
TVI Turkey Engineering Trade Limited Company - Azerbaijan Republic Branch	Azerbaijan	Ordinary	100
Fullagar Technologies Limited	England	Ordinary	50
ABMJ TWI SEA	Malaysia	Ordinary	100



## 15. INVESTMENT PROPERTY

### FREEHOLD INVESTMENT PROPERTY

	2021	2020
	£000	£000
<b>VALUATION</b>		
At 1 January 2021	63,584	32,881
Additions at costs	-	417
Disposals	(29,860)	-
Surplus on revaluation	16,956	21,751
Transfers between classes	-	8,535
<b>AT END OF YEAR</b>	<b>50,680</b>	<b>63,584</b>

The 2021 valuations were made by a qualified external party, on an open market value for existing use basis.

The group has secured £32.0m of its freehold investment properties, against its bank loans amounting to £9.5m as detailed in note 18 and 19.

## 16. DEBTORS

	2021	2020
	£000	£000
<b>DUE AFTER MORE THAN ONE YEAR</b>		
Deferred tax asset	3,717	8,241
<b>TOTAL DEBTORS DUE AFTER MORE THAN ONE YEAR</b>	<b>3,717</b>	<b>8,241</b>

	Group 2021	Institute 2021	Group 2020	Institute 2020
	£000	£000	£000	£000
<b>DUE WITHIN ONE YEAR</b>				
Trade debtors	9,119	-	10,826	-
Amounts owed by group undertakings	-	56,395	-	3,735
Other debtors	4,352	-	5,541	-
Prepayments and accrued income	3,744	-	2,192	-
Deferred taxation	342	-	3,050	-
Amounts recoverable on long term contracts	8,049	-	10,330	-
Tax recoverable	3,245	-	5,346	-
<b>TOTAL DEBTORS DUE WITHIN ONE YEAR</b>	<b>28,851</b>	<b>56,395</b>	<b>37,285</b>	<b>3,735</b>

## 17. CASH AND CASH EQUIVALENTS

	2021	2020
	£000	£000
Cash at bank and in hand	99,239	11,978
Less: bank overdrafts	-	(14,270)
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>99,239</b>	<b>(2,292)</b>

During the period the Group settled all its bank overdraft obligations with Barclays plc.

## 18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2021	Institute 2021	Group 2020	Institute 2020
	£000	£000	£000	£000
Bank overdrafts	-	-	14,270	-
Bank loans	205	-	205	-
Other loans	20	-	200	-
Payments received on account	16,424	-	8,932	-
Trade creditors	4,352	-	11,572	-
Other taxation and social security	22,108	-	1,283	-
Obligations under finance lease	356	-	356	-
Other creditors	2,319	-	3,740	-
Corporation tax	2,838	-	127	-
Accruals and deferred income	9,319	-	13,787	-
<b>TOTAL CREDITORS FALLING DUE WITHIN ONE YEAR</b>	<b>57,941</b>	<b>-</b>	<b>54,472</b>	<b>-</b>

Bank loans include £200k 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.

## 19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2021	Institute 2021	Group 2020	Institute 2020
	£000	£000	£000	£000
Bank loans	9,530	-	9,721	-
Other loans	-	-	20	-
Payments received on account	2,385	-	1,249	-
Net obligations under finance leases	2,927	-	3,241	-
Other creditors	-	-	393	-
Accruals and deferred income	7,440	-	5,311	-
<b>TOTAL CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>22,282</b>	<b>-</b>	<b>19,935</b>	<b>-</b>

### Secured Loan

Bank loans include £5m repayable in May 2024 at LIBOR+2.4% and £4.35m 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 Group's investment property.

## 20. PROVISIONS

ONEROUS PROVISION	2021	2020
	£000	£000
At 01 January	1,128	-
Additions	40	1,128
<b>AT 31 DECEMBER</b>	<b>1,168</b>	<b>1,128</b>

Where the estimated costs to deliver a project exceed the amount of turnover the company will receive for the deliverables of the project, the company recognizes an onerous contract provision when these circumstances are identified. Onerous contracts are reviewed on an annual basis. Any movement in the provision is recognised through the cost of sales.

## 21. FINANCE LEASES

Minimum lease payments under hire purchase are as set out below. The hire purchase liabilities are secured against the assets to which the loan relates.

	Group 2021	Group 2020
	£000	£000
Within one year	356	356
Between 1-5 years	1,741	1,535
Over 5 years	1,186	1,706
<b>TOTAL FINANCE LEASES</b>	<b>3,283</b>	<b>3,597</b>

## 22. DEFERRED TAXATION

	Group 2021	Group 2020
	£000	£000
At beginning of year	(4,122)	43
Charged to profit or loss	(425)	(4,427)
Charged to other comprehensive income	(18,619)	262
<b>NET LIABILITY AT END OF YEAR</b>	<b>(23,166)</b>	<b>(4,122)</b>

The deferred tax balance is made up as follows:

	Group 2021	Institute 2021	Group 2020	Institute 2020
	£000	£000	£000	£000
Capital gains	(25,641)	-	(12,172)	-
Tax losses carried forward	2,772	-	3,050	-
Accelerated capital allowances	(1,420)	-	(1,769)	-
Other short term timing differences	1,123	-	6,769	-
<b>TOTAL NET LIABILITY AT YEAR END</b>	<b>(23,166)</b>	<b>-</b>	<b>(4,122)</b>	<b>-</b>
<b>COMPRISING:</b>				
Asset - due after one year	3,717	-	8,241	-
Asset - due within one year	341	-	3,050	-
Liability	(27,224)	-	(15,413)	-
<b>TOTAL NET LIABILITY AT YEAR END</b>	<b>(23,166)</b>	<b>-</b>	<b>(4,122)</b>	<b>-</b>

## 23. RESERVES

### FOREIGN EXCHANGE RESERVE ACCOUNT

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

### FREEHOLD PROPERTY REVALUATION RESERVE

This reserve represents the cumulative gain, net of deferred tax, on long leasehold properties.

### PROFIT AND LOSS ACCOUNT

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

## 24. ANALYSIS OF NET DEBT

	At 1 January 2021	Cash flows	New finance leases	Other non- cash changes	At 31 December 2021
	£000	£000	£000	£000	£000
Cash at bank and in hand	<b>11,978</b>	87,261	-	-	<b>99,239</b>
Bank overdrafts	<b>(14,270)</b>	14,270	-	-	-
Debt due within 1 year	<b>(761)</b>	391	-	(211)	<b>(581)</b>
Debt due after 1 year	<b>(12,982)</b>	-	-	525	<b>(12,457)</b>
<b>TOTAL</b>	<b>(16,035)</b>	101,922	-	314	<b>86,201</b>

## 25. PRIOR YEAR ADJUSTMENT

	Ref	Prior Year Final	Debit	Credit	Prior Year Restated
		£000	£000	£000	£000
<b>BALANCE SHEET</b>					
Tangible fixed assets	3	98,374	3,374	(3,374)	<b>98,374</b>
Debtors: Amounts falling due within one year	2	36,986	362	(63)	<b>37,285</b>
Creditors: Amounts falling due within one year	1 & 2	(53,803)	1,259	(1,928)	<b>(54,472)</b>
Creditors: Amounts falling due after one year		(19,672)		(263)	(19,935)
Provisions	1			(1,128)	<b>(1,128)</b>
Revaluation reserve	3	(31,567)	-	(3,374)	<b>(34,941)</b>
Cash at Bank	5	12,068	-	(90)	<b>11,978</b>
Profit & Loss account	1,2 & 3	53,830	(8,493)	3,268	<b>48,605</b>
<b>INCOME STATEMENT</b>					
Revenue	2	(64,659)	103	(3,436)	<b>(67,992)</b>
Cost of sales	4	(50,420)	103	(4,827)	<b>(55,144)</b>
Administrative expenses	3	20,939	1,697	-	<b>22,636</b>
Other operating income	2	(32,372)	512	(1,244)	<b>(33,104)</b>
Profit for the year		(19,568)	6,849	(4,493)	<b>(17,212)</b>

1. Onerous Contracts: Arose from the incorrect application of the accounting policy requirement to reassess project delivery costs, resulting in identification of loss making projects. This has resulted in the recognition of a provision in 2020.

2. Government Grants: Based on a review of the recognition of government grants awarded, it was identified that the accounting treatment was inconsistent with the accounting policy. This has now been corrected in the current figures.

3. Fixed Assets Depreciation: The Company had not recognised depreciation on its long-term lease properties. To account for Depreciation for 2019 to 2020 on properties that are subject to annual revaluation.

4. Service charge income amounting to £288,967 has been reclassified from Cost of sales to Turnover with no impact on the net profit or shareholder funds of the previous year.

5. Tenant deposits amounting to £89,923 has been reclassified from Cash at bank and in hand to Debtors. The reclassification had no impact on the net profit or shareholder funds of the previous year.



## 26. CAPITAL COMMITMENTS

At 31 December 2021 the group had capital commitments as follows:

	Group 2021	Group 2020
	£000	£000
Contracted for but not provided in these financial statements	-	49

## 27. 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 group's in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £2,861,000 (2020: £2,909,000). Contributions totaling £277,673 (2020: £285,000) were payable to the funds at the balance sheet date and are included in other creditors.

Internationally the group operates various defined contribution pension schemes in its office locations. During the period, the Group made contributions amounting to £171,700 (2020: £126,000).

## 28. PENSION COMMITMENTS

The Group 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 2021 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 £56,935,000. The group 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% pa. In addition, the group will meet the cost of levies to the Pension Protection Fund. The scheme closed to accruals on 11 September 2020.

There were Nil active members of the Defined Benefit Pension Scheme at the end of 2021 (2020: Nil).

## PENSION COMMITMENTS – CONTINUED

Reconciliation of present value of plan liabilities:

RECONCILIATION OF PRESENT VALUE OF PLAN LIABILITIES	2021	2020
	£000	£000
At the beginning of the year	43,377	41,726
Current service cost	-	1,180
Interest income	497	824
Contributions	(20,079)	(4,268)
Gain/loss on settlement or curtailment	(19,327)	3,915
<b>AT THE END OF THE YEAR</b>	<b>4,468</b>	<b>43,377</b>
ANALYSIS OF ACTUARIAL GAIN/(LOSS) RECOGNISED IN OTHER COMPREHENSIVE INCOME	2021	2020
	£000	£000
Return on plan assets (excluding amounts included in net interest costs)	16,358	13,126
Experience gains and losses arising on the plan liabilities	711	295
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - Gain/(loss)	2,291	(17,336)
<b>TOTAL</b>	<b>19,360</b>	<b>(3,915)</b>

Composition of plan assets:

PLAN ASSETS	2021	2020
	£000	£000
Other Assets	50,237	20,407
Equities	108,346	88,964
Bonds	13,211	14,844
Diversified Growth Funds	-	18,481
Cash	8,047	6,421
<b>TOTAL PLAN ASSETS</b>	<b>179,841</b>	<b>149,117</b>
PENSION SCHEME LIABILITY	2021	2020
	£000	£000
Fair value of plan assets	179,841	149,117
Present value of plan liabilities	(184,309)	(192,494)
<b>NET PENSION SCHEME LIABILITY</b>	<b>(4,468)</b>	<b>(43,377)</b>

## PENSION COMMITMENTS – CONTINUED

The amounts recognised in profit or loss are as follows:

	2021	2020
	£000	£000
Current service cost	-	1,140
Interest on obligation	497	824
Expenses	32	40
<b>TOTAL</b>	<b>529</b>	<b>2,004</b>

Reconciliation of opening and closing balances of the defined benefit obligation were as follows:

CHANGES IN DEFINED BENEFIT OBLIGATION	2021	2020
	£000	£000
Opening defined benefit obligation	194,625	176,688
Current service cost	-	1,140
Interest cost	2,670	3,573
Actuarial gains and (losses)	(5,132)	19,172
Contributions by scheme participants	-	287
Benefits paid	(7,854)	(6,235)
<b>CLOSING DEFINED BENEFIT OBLIGATION</b>	<b>184,309</b>	<b>194,625</b>

Reconciliation of opening and closing balances of fair value of the plans assets were as follows:

CHANGE IN FAIR VALUE OF PLAN ASSETS	2021	2020
	£000	£000
At the beginning of the year	149,117	134,962
Interest income	2,173	2,749
Return on plan assets in excess of interest income	16,358	13,126
Contributions by the group	20,079	4,268
Contributions by scheme participants	-	287
Benefits paid	(7,854)	(6,235)
Administrative expenses	(32)	(40)
<b>TOTAL</b>	<b>179,841</b>	<b>149,117</b>

## PENSION COMMITMENTS – CONTINUED

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2021	2020
	%	%
Discount rate Inflation (RPI)	<b>1.8</b>	1.4
Inflation (CPI) Salary growth	<b>3.4</b>	3.0
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	<b>2.9</b>	2.5
Allowance for pension in payment increases of RPU or 5% p.a. if less, minimum 3% p.a.	<b>2.5</b>	3.2
Mortality rates		
For a male aged 65 now	<b>21.8</b>	21.6
At 65 for a male aged 45 now	<b>23.1</b>	23.5
For a female aged 65 now	<b>23.7</b>	22.6
At 65 for a female member aged 45 now	<b>25.3</b>	24.7

The best estimate of contributions to be paid by the group to the scheme for the year ending 31 December 2022 is £nil.

## 29. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2021 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

LAND AND BUILDINGS	2021	2020
	£000	£000
Not later than 1 year	258	403
Later than 1 year and not later than 5 years	713	1,257
Later than 5 years	268	446
<b>TOTAL OPERATING LEASES - LAND AND BUILDINGS</b>	<b>1,239</b>	<b>2,106</b>

OTHER	2021	2020
	£000	£000
Not later than 1 year	41	63
Later than 1 year and not later than 5 years	14	11
<b>TOTAL OPERATING LEASES - OTHER</b>	<b>55</b>	<b>74</b>

RENTS RECEIVABLE UNDER NON-CANCELLABLE OPERATING LEASES	2021	2020
	£000	£000
Due within 1 year	755	366
Later than 1 year and not later than 5 years	2,634	1,226
<b>TOTAL RENTS RECEIVABLE</b>	<b>3,389</b>	<b>1,592</b>

There were no contingent rents in the period (2021: £Nil).

### **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.

Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The defined benefit pension scheme is a related party. The Group's transactions and contributions paid to the plan as detailed in note 28.

Key management personnel of The Welding Institute are considered to be the members of the Executive Team in TWI Ltd. The total remuneration (including salaries and other benefits) of key management personnel in the year, including directors was £2,141,000 (2020: £1,621,000).

### **31. POST BALANCE SHEET EVENTS**

During 2022, the group purchased its property in Port Talbot for an amount of £2.1m completing the acquisition in February 2022. The property was previously occupied by the group under operating lease.

With the exception of the above matter there are no post Balance Sheet events to disclose.

TWI is the business name of The Welding Institute, a company limited by guarantee.  
The Welding Institute – Registered number 00405555 England.

