

BUILDING RESEARCH ESTABLISHMENT LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

31 MARCH 2019



Company Registration Number: 03319324

BUILDING RESEARCH ESTABLISHMENT LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2019

Registered office: Bucknalls Lane
Garston
Watford
Hertfordshire
WD25 9XX

Bankers: Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors: Sherrards
45 Grosvenor Road
St Albans
Hertfordshire
AL1 3AW

Independent Auditors: Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

BUILDING RESEARCH ESTABLISHMENT LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2019

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BUILDING RESEARCH ESTABLISHMENT LIMITED

REPORT OF THE DIRECTORS For the year ended 31 March 2019

The Directors have pleasure in presenting their report for the year ended 31 March 2019.

Directors

Directors who held office during the year until the date of signing these accounts are set out below:

Dr Peter William Bonfield (resigned 20 April 2018)
Gillian Mary Charlesworth (appointed 21 May 2019)
Nicholas Brian Farrimond (appointed 1 April 2018, resigned 31 July 2019)
Andrew Charles Herbert (appointed 1 August 2019)
Niall Gerard Trafford (resigned 30 May 2019)

Results and dividends

The results for the Company show a loss on ordinary activities of £7,182k (2018: £2,277k loss) for the year on turnover of £17,509k (2018: £17,897k). The Directors do not intend to declare a dividend for the year ended 31 March 2019 (2018: £nil).

Political and charitable donations

The Company made no political or charitable donations during the year (2018: £nil).

Going Concern

The activities of the Company are wholly aligned with the charitable activities of its ultimate parent undertaking, BRE Trust. Whilst the Company recorded a significant loss in this financial year, it maintains reserves excluding the impact of the pension deficit. The Company has an agreed deficit reduction plan for this pension deficit, which is designed to get the scheme to self-sufficiency by 2030.

The year ended 31 March 2019 has been a difficult year for the Group and consequently the Directors have carefully reviewed the financial position of the Company. This review has included preparing financial projections for the years ended 31 March 2020 and 2021. As a result, the Directors have concluded that, following the restructuring programme undertaken during the year, there are sufficient funds within the Group at the date of signature of the financial statements to manage any foreseeable downturn in the UK and the global economy.

The Directors also consider that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for these reasons the Directors continue to adopt the 'going concern' basis in preparing the financial statements.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Crowe U.K. LLP will therefore continue in office.

BY ORDER OF THE BOARD



Andrew Charles Herbert
Director

Company Registration Number: 03319324

December 2019

BUILDING RESEARCH ESTABLISHMENT LIMITED

STRATEGIC REPORT

For the year ended 31 March 2019

Principal activity

The principal activity of the Company is to provide independent advice and information on building performance, construction and fire safety in the United Kingdom.

Review of the business

The Company made an operating loss of £5,177k for the year (2018: £846k loss). In a year of significant cost restructuring in order to provide stability, the Directors consider the operating loss incurred on ordinary activities to be acceptable.

Risks

The risk management process in the Company seeks to enable the early identification, evaluation and effective management of the key risks facing the business at operational level and to operate internal controls, which adequately mitigate these risks. The Company regularly assesses its risk management activities to ensure good practice in all areas and is ISO 9001 accredited as a means of externally assessing this management process.

Credit risk

The principal risk and uncertainty affecting the business outside of the current economic climate is credit risk. The business is exposed to counterparty credit risk when dealing with customers and from certain financing activities. The Company maintains strong relationships with each of its key customers and has established credit control parameters. Credit evaluations are performed on all customers requiring significant credit. Outstanding debts are continuously monitored by the Company and concentrations of credit risk are limited as a result of the large and diverse customer base.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and are regularly reviewed to ensure that sufficient financial headroom exists.

Personnel policies

The Company has instituted means of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company.

This is achieved through open meetings, newsletters, blogs and consultations with employee representatives. Employment policies aim to provide equal opportunities, irrespective of sex, race, religion or marital status. Applications by disabled persons are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria apply to disabled persons for training, career development and promotion as to any other employee. If any employee becomes disabled, every effort is made to ensure their continued employment by providing adequate facilities, offering an alternative job or providing retraining where necessary.

Future likely events

We have continued to build on our S Plan objectives to reduce the overall environmental impact of the BRE Company's operations with the introduction of a local bus service directly on to our Garston campus and the installation of multiple charging points for electric vehicles.

BUILDING RESEARCH ESTABLISHMENT LIMITED

STRATEGIC REPORT

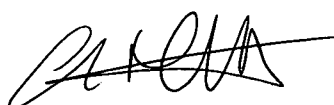
For the year ended 31 March 2019

Environmental

As much of the Company's core business is directly connected with helping others to improve their environmental performance and the environment around them, it is essential for the Company to practice what it preaches and thus ensure that its operations and activities are being managed in a way which is both energy and resource-efficient. To this end the BRE Group's sustainability strategy – known as the 'S Plan' sets out a programme of continuous improvement across eight key areas of sustainability: carbon dioxide (CO₂) emissions; resource efficiency; supply chain engagement; transport; community engagement; ecology; water; and information systems.

We have continued to build on our S Plan objectives to reducing the overall environmental impact of the Company's operations with the introduction of a local bus service directly on to our Garston campus and the installation of multiple charging points for electric vehicles.

BY ORDER OF THE BOARD



Andrew Charles Herbert
Director

Company Registration Number: 03319324

18 December 2019

BUILDING RESEARCH ESTABLISHMENT LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 and applicable law). Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

BUILDING RESEARCH ESTABLISHMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUILDING RESEARCH ESTABLISHMENT LIMITED

Opinion

We have audited the financial statements of Building Research Establishment Limited for the year ended 31 March 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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.

BUILDING RESEARCH ESTABLISHMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUILDING RESEARCH ESTABLISHMENT LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

N. Hashemi

Naziar Hashemi
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

18 December 2019

BUILDING RESEARCH ESTABLISHMENT LIMITED**PROFIT AND LOSS ACCOUNT**
For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	2	17,509	17,897
Staff costs	4	(17,489)	(17,638)
Depreciation of tangible assets	3	(1,162)	(1,204)
Amortisation of intangible assets	3	(786)	(684)
Operating expenses		(14,418)	(10,654)
Other operating income	6	11,169	11,437
Operating loss		(5,177)	(846)
Interest payable	7	-	(33)
Other finance costs	8	(2,005)	(1,398)
Loss on ordinary activities before taxation		(7,182)	(2,277)
Tax charge	9	(87)	-
Loss for the financial year		(7,269)	(2,277)
Other comprehensive (cost)/income			
Remeasurement of net defined benefit liability	18	(1,548)	68
Revaluation of tangible fixed assets		(1,278)	-
Total other comprehensive cost		(2,826)	68
Total comprehensive loss for the financial year		(10,095)	(2,209)

The accompanying notes on pages 10 to 25 form an integral part of these financial statements.

BUILDING RESEARCH ESTABLISHMENT LIMITED**BALANCE SHEET**

As at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	10	413	1,303
Tangible assets	11	22,751	23,060
Investments	12	166	222
		<hr/>	<hr/>
		23,330	24,585
Current assets			
Debtors	13	7,275	10,130
Cash		355	302
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(20,110)	(15,320)
		<hr/>	<hr/>
Net current liabilities		(12,480)	(4,888)
		<hr/>	<hr/>
Total assets less current liabilities		10,850	19,697
Provisions for liabilities	15	(1,769)	(1,623)
Deferred capital grant	16	(339)	(370)
		<hr/>	<hr/>
Net assets excluding pension liabilities		8,742	17,704
Defined benefit pension scheme liability	18	(48,899)	(47,766)
		<hr/>	<hr/>
Net liabilities including pension liabilities		(40,157)	(30,062)
		<hr/>	<hr/>
Capital and reserves			
Share capital	17	-	-
Share premium		5,000	5,000
Profit and loss account		(55,414)	(46,597)
Revaluation reserve		10,257	11,535
		<hr/>	<hr/>
Shareholder's deficit		(40,157)	(30,062)
		<hr/>	<hr/>

The accompanying notes on pages 10 to 25 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 16 December 2019.



Andrew Charles Herbert
Director

Company Registration Number: 03319324

BUILDING RESEARCH ESTABLISHMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share Capital	Share Premium	Profit and Loss Account	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	-	5,000	(46,597)	11,535	(30,062)
Loss for the year	-	-	(7,269)	-	(7,269)
Remeasurement of net defined benefit liability	-	-	(1,548)	-	(1,548)
Revaluation of land and buildings	-	-	-	(1,278)	(1,278)
At 31 March 2019	-	5,000	(55,414)	10,257	(40,157)

	Share Capital	Share Premium	Profit and Loss Account	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	-	5,000	(44,388)	11,535	(27,853)
Loss for the year	-	-	(2,277)	-	(2,277)
Remeasurement of net defined benefit liability	-	-	68	-	68
At 31 March 2018	-	5,000	(46,597)	11,535	(30,062)

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 Accounting policies

Company information

Building Research Establishment Limited is a private company limited by shares incorporated and domiciled in the United Kingdom. The Company is registered at Companies House England and Wales (registered number 03319324). The address of its registered office is Bucknalls Lane, Garston, Watford, Hertfordshire, WD25 9XX.

The Company's ultimate parent undertaking is BRE Trust, a charitable company limited by guarantee registered in England, and therefore forms part of a public benefit group.

Basis of preparation

The financial statements have been prepared under the historical cost convention with the exception of land and buildings which are held at a revalued amount in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) and the Companies Act 2006. The presentation currency of these financial statements is sterling. The principal accounting policies are set out below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objections to, the use of exemptions by the Company's shareholders and immediate parent.

The Company has taken advantage of the following exemptions:

- No statement of cash flows has been presented, as it is included in the consolidated financial statement of the group.
- Disclosures in respect of the Company's financial instruments have not been presented as equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- Related party transactions have not been disclosed with other members of the group.
- Remuneration of key management personnel is included in the consolidated financial statements of the group

Basis of consolidation

Building Research Establishment Limited, as a wholly owned subsidiary of BRE Group Limited and the ultimate parent undertaking and controlling party being BRE Trust, is exempt by virtue of s400 of the Companies Act 2006 from preparing consolidated financial statements. Consequently, these financial statements only present information about the Company. Note 23 sets out details of the Company's subsidiaries and associate undertakings.

Going concern

The Directors have carefully reviewed the financial position of the Company. This review has included the preparation of financial projections for the years ended 31 March 2020 and 2021. As a result, the Directors have concluded that, following the restructuring programme undertaken during the year, there are sufficient funds within the Group at the date of signature of the financial statements to manage any foreseeable downturn in the UK and global economy.

The Directors also consider that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for these reasons the Directors continue to adopt the 'going concern' basis in preparing the financial statements.

Critical accounting judgements and estimation uncertainty

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.

Significant areas of estimate and judgement include provisions, assumptions used to value the defined benefit pension scheme, impairment and valuation of non-current assets and the remaining useful life of assets. Related accounting policies for these items are noted below.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 Accounting policies (continued)

The principle accounting policies adopted, judgements and key sources of estimation uncertainty in the presentation of the financial statements are as follows:

Intangible assets

In accordance with FRS 102 purchased goodwill is capitalised and amortised on a straight line basis over its useful economic life, which is determined on a case by case basis, but generally does not exceed 5 years.

Expenditure incurred to develop and purchase software and purchase licence agreements is capitalised and written off over the useful economic life of the asset and will not exceed 20 years.

Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured. Income is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Income is recognised when work is performed. Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover reflecting the proportion of work completed to date on the project.

Government grant income relates to amounts received for research projects, income is recognised in line with the progress of the various projects.

Expenditure

Resources expended are accounted for when incurred. Costs and overheads are directly allocated to activities for generating funds.

Redundancy and settlement payments are recognised at the leaving date of the member of staff and measured at the best estimate of expenditure required to settle the obligation at the reporting date.

Tangible fixed assets and depreciation

Tangible fixed assets are capitalised and stated at cost or valuation less depreciation. Annual impairment reviews are performed. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life on a straight line basis, as shown below:

Leasehold improvements	8 years
Freehold buildings	5-20 years
IT equipment (Plant + Machinery)	3 years
Telecommunications equipment (Plant + Machinery)	10 years
Other plant and machinery (Plant + Machinery)	7 years
Fixtures and fittings	7 years
Commercial vehicles and cars (Motor Vehicles)	3-6 years
Fork lift trucks (Motor Vehicles)	10 years

No depreciation is provided on freehold land.

Long term contracts

Amounts recoverable on long term contracts (work done not invoiced), which are included in debtors, are stated at the net sales value of the work done after making provision for contingencies and anticipated future losses on contracts and deducting amounts received as payments on account.

Leased assets

Operating leases and the payments made under them are charged to the statement of financial activities on a straight line basis over the lease term.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 Accounting policies (continued)

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Within provisions is an amount for enhanced redundancy benefits where employees over 50 years of age can, under TUPE rules, translate part of their redundancy entitlement into an annual compensation payment a provision is made for the future amounts payable over the estimated life expectancy of the ex-employees.

Taxation

Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Basic financial instruments

Debtors

Debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financial transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Creditors

Creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any exchange differences are dealt with through the profit and loss account.

Research and development

All research expenditure is charged to the profit and loss account in the period in which it is incurred. The development costs incurred in the creation of new software products and tools are capitalised under intangibles.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 Accounting policies (continued)

Post-retirement benefits

Building Research Establishment Limited operates a defined benefit pension scheme providing benefits based on final pensionable pay. The BRE Pension Scheme was closed to future accrual at 28 February 2007 and the LPC Scheme at 31 March 2009. The two schemes were merged together during the year ended 31 March 2016 forming the BRE and LPC Pension Scheme. The assets of the scheme are held separately from those of the Company and its trading subsidiaries.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The liabilities shown for this FRS102 valuation represent an update of the latest Triennial Actuarial Valuation as at 1 October 2017 with allowance made for interest on the Scheme liabilities, benefits that have been paid out of the Scheme and changes in market conditions as suggested by the agreed assumptions. In addition, allowance has been made for benefit increases over the year compared to the assumed increases at the start of the period.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Building Research Establishment Limited also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company and its subsidiaries in an independently administered fund. The pension costs charged against net income are the contributions payable to the scheme in respect of the accounting period.

Deferred capital grants

Capital grants are amortised through the profit and loss account in line with the depreciation of the asset to which the grant relates.

Cash

Cash balances are part of the Company's working capital and are kept on current account or short term deposit.

2 Turnover

	2019 £'000	2018 £'000
Commercial activities	1,023	1,220
Independent advice on building performance, construction and fire safety.	13,255	15,533
Government grants	3,231	1,144
	<u>17,509</u>	<u>17,897</u>

Government grant income relates to amounts received for research projects.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

3 Operating loss

The operating loss is stated after charging:	2019 £'000	2018 £'000
Restructuring costs	1,334	415
Depreciation of tangible fixed assets	1,162	1,204
Amortisation of intangible assets	786	684
Operating lease rentals	224	224
<i>Auditor's remuneration:</i>		
Audit of company financial statements	9	10
Amounts receivable by auditor and associates in respect of:		
Services relating to taxation	4	4

Expenditure on research and development recognised as an expense totalled £1,607,029 (2018: £1,441,391)

4 Staff costs

Staff costs, including directors' remuneration, during the period amounted to:

	2019 £'000	2018 £'000
Wages and salaries	15,405	15,514
Social security costs	1,525	1,585
Other pension costs	559	539
	<u>17,489</u>	<u>17,638</u>

Included in the amount for wages and salaries are termination payments totalling £1,334k (2018: £415k).

The average number of employees including directors during the period was as follows:

	2019 Number	2018 Number
Research staff	296	280
Administration staff	44	59
	<u>340</u>	<u>339</u>

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2019

5 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	455	1,068
Company contributions to defined contribution pension schemes	20	17
	<hr/>	<hr/>
	475	1,085
	<hr/>	<hr/>

During the period one executive director participated in the defined contribution pension scheme. The aggregate of emoluments of the highest paid director was £252k (2018: £391k) and company pension contributions of £nil (2018: £17k) were made to a defined contribution scheme on their behalf.

6 Other operating income

Other operating income amounting to £11,169k (2018: £11,437k) relates to costs recharged to other BRE Trust subsidiary undertakings.

7 Interest payable

	2019 £'000	2018 £'000
Interest payable to group undertakings	-	33
	<hr/>	<hr/>

8 Other finance costs

	2019 £'000	2018 £'000
Expected return on pension scheme assets	2,002	1,928
Interest on pension liabilities	(3,211)	(3,206)
Administration expenses	120	(120)
Past service cost (incl. curtailments)	(916)	-
	<hr/>	<hr/>
	(2,005)	(1,398)
	<hr/>	<hr/>

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

9 Taxation

The tax charge for the period is lower than the standard rate of corporation tax in the UK 19%. The differences are explained below.

	2019 £'000	2018 £'000
<i>Current tax</i>		
UK corporation tax on profit for the year	-	-
Adjustment in respect of previous year	87	-
	<u>87</u>	<u>-</u>
<i>Tax reconciliation</i>		
Loss on ordinary activities before tax	(7,182)	(2,277)
	<u>(1,365)</u>	<u>(433)</u>
<i>Effects of:</i>		
Fixed asset differences	136	-
Expenses not deductible for tax purposes	307	238
Amounts charged directly to statement of changes in equity or otherwise transferred	(294)	-
Income not taxable for tax purposes	-	(84)
Group relief surrendered	852	580
Adjustment in respect of prior periods	87	-
Adjust closing deferred tax charge to average rate of 19%	1,093	-
Adjust opening deferred tax charge to average rate of 19%	(1,055)	-
Deferred tax not recognised	326	(301)
	<u>87</u>	<u>-</u>
Total tax charge		

The rate which is 19% has been reduced to 17% from 1 April 2020. The reduction in tax rate to 17% was included within the 2016 Finance Act.

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2019

10 Intangible fixed assets

Cost	Software £'000
At 1 April 2018	4,209
Additions	143
Disposals	(432)
	<hr/>
At 31 March 2019	3,920
	<hr/>
Amortisation	
At 1 April 2018	2,906
Charge for year	786
Eliminated on disposal	(185)
	<hr/>
At 31 March 2019	3,507
	<hr/>
Net book value	
At 31 March 2019	413
	<hr/>
At 31 March 2018	1,303
	<hr/>

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2019

11 Tangible fixed assets

	Freehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2018	27,239	8,561	923	53	36,776
Additions	1,124	926	81	-	2,131
Revaluation	(1,278)	-	-	-	(1,278)
At 31 March 2019	27,085	9,487	1,004	53	37,629
Depreciation					
At 1 April 2018	7,102	6,003	559	52	13,716
Charge for year	313	758	91	-	1,162
At 31 March 2019	7,415	6,761	650	52	14,878
Net Book Value					
At 31 March 2019	19,670	2,726	354	1	22,751
At 31 March 2018	20,137	2,558	364	1	23,060

Freehold land is not depreciated. As at 31 March 2019, freehold land and buildings is held at the revalued amount of £19.7 million. The comparable cost and net book value at that date determined under the historical cost accounting rules would have been £16.8m and £9.4 million respectively. A full valuation was performed on 18 March 2019 by Christian Glazier (MRICS) of BNP Paribas Real Estate. The valuation was prepared in accordance with Professional Standard 2 of the RICS Valuation – Global Standards 2017 (“the Red Book”).

All tangible fixed assets are used in the commercial trading organisations.

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2019

12 Investments

	£'000
Cost	
At 1 April 2018	1,251
Additions	-
At 31 March 2019	<u>1,251</u>
Provision for diminution in value	
At 1 April 2018	(1,029)
Charge	(56)
At 31 March 2019	<u>(1,085)</u>
Net book value	
At 31 March 2019	<u>166</u>
At 31 March 2018	<u>222</u>

Note 23 sets out details of the Company's subsidiaries and associate undertakings.

13 Debtors

	2019 £'000	2018 £'000
Trade debtors	2,611	2,950
Amounts recoverable on contracts	856	880
Other debtors	2,144	5,119
Prepayments	1,664	1,181
	<u>7,275</u>	<u>10,130</u>

14 Creditors: amounts falling due in one year

	2019 £'000	2018 £'000
Deferred income	2,393	1,788
Trade creditors	1,655	790
Amounts due to group undertakings	13,059	9,987
Social security and other taxes	696	720
Other creditors	1,328	1,039
Accruals	979	996
	<u>20,110</u>	<u>15,320</u>

Included in the amount for deferred income is an advance on grant capital funding provided by Innovate UK amounting to £863k (2018: £nil) which is repayable upon demand.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

15 Provisions for liabilities

Future amounts payable relating to:	Directors' Retirement Lump Sums £'000	Restructuring £'000	Litigation £'000	Total £'000
At 1 April 2018	125	997	501	1,623
Utilised in the year	(13)	(115)	(224)	(352)
Charge to profit and loss account	-	268	230	498
At 31 March 2019	112	1,150	507	1,769

The future amounts payable relating to restructuring costs is a provision made to reflect a liability to make future payments to ex-employees who were made redundant when over the age of 50 and have, under TUPE rules, translated part of their entitlement into an annual compensation payment payable for life.

The legal claim provision is made for possible future litigation including all legal fees, prosecution costs and any other costs imposed or arising and other losses on contracts.

The timing of the cash outlays in respect of these provisions is uncertain but should not exceed £620k in the next financial year.

16 Deferred capital grant

The deferred grant represents monies received in respect of building refurbishment costs included under fixed assets and will be released to the profit and loss account in line with future depreciation of the asset.

17 Share capital

	2019 £	2018 £
Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
Allotted: Issued and fully paid 7 ordinary shares of £1 each	7	7

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

18 Pensions

The Company formerly operated two funded defined benefit pension schemes, one for the employees who transferred from LPC (the LPC Scheme) and one for other employees of the Trust and its subsidiaries who commenced employment before 31 December 2001 (the BRE Scheme). The BRE Pension Scheme was closed to future accrual at 28 February 2007 and the LPC scheme at 31 March 2009. The two schemes were merged together during the year ended 31 March 2016 forming the BRE and LPC Pension Scheme.

The Company established a defined contribution stakeholder scheme for employees who commenced employment after 1 January 2002. Members of the LPC and BRE defined benefit pension schemes have also been offered membership of this scheme on the same terms. The Company contributes up to 5% of salary so long as the members do the same. However, members can contribute a higher amount if they wish to do so. The pension cost for the year represents contributions payable by the Company to the scheme and amounted to £2,354k (2018: £2,021k) and scheme related expenses.

Contributions to the stakeholder scheme amounting to £183k (2018: £170k) were payable at 31 March and are included in creditors.

The assets of the defined benefit schemes are held separately from those of the group, being invested with Ruffer, Schroders and the DRC Fund. The assets of the stakeholder scheme are invested with Scottish Widows.

Management charges of £718k (2018: £594k) were incurred in respect of the defined benefit scheme. Contributions to this scheme amounting to £204k (2018: £198k) were payable at 31 March 2019 and are included in creditors. Monthly contributions to the schemes are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Under a 'recovery plan' agreed with the pension trustees (and submitted to the Regulator) the deficit on the BRE and LPC Pension Scheme is partially secured by a direct charge over the Garston site in favour of the pension fund.

The major assumptions used by the actuary were:

	Combined Scheme 2019 %pa	Combined Scheme 2018 %pa	Combined Scheme 2017 %pa
Rate of increase in salaries	2.10	2.00	2.10
Discount rate for calculation of benefits	2.45	2.60	2.60
Inflation (RPI)	3.15	3.00	3.10
Inflation (CPI)	2.10	2.00	2.10

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting an individual, on retirement, to live for a number of years as follows:

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

18 Pensions – continued

The BRE and LPC Pension Scheme

- Current pensioner aged 65: 21.5 years (male) and 23.4 (female)
- Future retiree (aged 45) upon reaching 65: 22.8 years (male) and 24.9 (female)

The assumptions used by the actuary are the group's best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The asset valuations of the schemes at that date amounted to £83,655k (2018: £77,653k) for the combined BRE and LPC scheme. These amounts were sufficient to cover 63% (2018: 62%) of the benefits that had accrued to members.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long years and thus inherently uncertain, were:

	2019 £'000	2018 £'000
Present value of funded defined benefit obligations	(132,554)	(125,419)
Fair value of assets	83,655	77,653
Net deficit	(48,899)	(47,766)

Movements in present value of defined benefit obligation

	2019 £'000	2018 £'000
At 1 April 2018	125,419	124,838
Interest on obligation	3,211	3,206
Actuarial loss/(gain)	6,902	(2,645)
Benefits paid	(3,894)	(3,057)
Recognition of insured assets previously excluded	-	3,077
Past service cost (incl. curtailments)	916	-
At 31 March 2019	132,554	125,419

Movements in fair value of assets

	2019 £'000	2018 £'000
At 1 April 2018	77,653	73,070
Expected return on assets	2,002	1,928
Actuarial gain/(loss)	5,354	(2,576)
Contributions by employer	2,420	5,331
Benefits paid	(3,894)	(3,057)
Administration expenses	120	(120)
Recognition of assets previously excluded	-	3,077
At 31 March 2019	83,655	77,653

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

18 Pensions – continued

Amounts recognised in the profit and loss account

	2019 £'000	2018 £'000
Interest on defined benefit obligations	(3,211)	(3,206)
Expected return on assets	2,002	1,928
Administration expenses	120	(120)
Past service cost (incl. curtailments)	(916)	-
	<hr/>	<hr/>
Resources expended (included in other finance costs)	(2,005)	(1,398)
	<hr/>	<hr/>
	2019 £'000	2018 £'000
Actual return less expected return on assets	5,354	(2,576)
Experience gain on liabilities	(396)	790
Change in assumptions underlying the present value of the liabilities	(6,506)	1,854
	<hr/>	<hr/>
Actuarial gain/(loss)	(1,548)	68
	<hr/>	<hr/>

Assets

The major assets and the return on those assets were as follows:

	Expected return from 31 March 2019 %	Value as % of Total assets 31 March 2019 %	Expected return from 31 March 2018 %	Value as % of Total assets 31 March 2018 %
Diversified Growth Fund	2.5	43	2.6	95
Cash/Other	-	-	2.6	1
Property debt	2.5	3	-	-
LDI	2.5	51	-	-
Insured pensions	2.5	3	2.6	4

The actual return on the scheme's assets over the year to the review date was £7,356k (2018: (£648k)).

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

18 Pensions – continued

In relation to the FRS 102 disclosure no deferred tax has been provided on the net deficit of the scheme as no tax liabilities or benefits are expected to arise for the foreseeable future.

The Company expects to contribute approximately £2,489k to the defined benefit scheme in the next financial year.

19 Financial commitments

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £'000	2018 £'000
Plant and machinery:		
Not later than one year	111	95
Later than one year and not later than five years	63	90
Later than five years	-	-
	<hr/> 174	<hr/> 185
	2019 £'000	2018 £'000
Land and Buildings:		
Not later than one year	106	79
Later than one year but not later than five years	4	225
Later than five years	-	14
	<hr/> 110	<hr/> 318

During the year £224k was recognised as an expense in the profit and loss account in respect of operating leases (2018: £224k).

20 Capital commitments

The following commitments for capital expenditure existed at 31 March 2019 for which no provision has been made:

	2019 £'000	2018 £'000
Contracted	150	169

21 Ultimate parent undertaking and controlling party

The immediate holding company is BRE Group Limited (Company Registration Number: 2704081), the ultimate parent undertaking and controlling party is BRE Trust (Company Registration Number: 03282856, Charity Registration: 1092193), a company limited by guarantee and a charity registered in England and Wales. It is situated at the address shown at the front of the financial statements.

The largest and smallest group of undertakings for which group accounts have been prepared is that headed by BRE Trust. The consolidated financial statements of BRE Trust can be obtained from the address shown at the front of the financial statements.

22 Contingent liabilities

There were no contingent liabilities at 31 March 2019 or 31 March 2018.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

23 Subsidiary and associate undertakings

On 31 March 2019 the subsidiary and associate undertakings were as follows:

	Interest in Ordinary Shares
BRE America Holdings Inc. ²	100%
BRE America LLC ²	100%
BuildingWise LLC ²	100%
Building Research Establishment Shenzhen Limited ³	100%
Constructing Excellence Limited ^{#1}	
Constructing Excellence in Learning Limited ¹	100%
Non-trading companies	
BRE Canada Inc ⁴	100%
BRE Ventures Limited ¹	100%
BRE Waste & Environmental Body Limited ¹	100%
BRE International Limited ¹	100%
BRE Projects Limited ¹	100%
Code for Sustainable Buildings Limited ¹	100%
Construction Audit Group Limited ¹	100%
Building Performance Services Limited ¹	100%
E-Statepro Limited ¹	100%
EFSG Limited ¹	100%
The Loss Prevention Certification Board Limited ¹	100%
Innovation Den Limited ¹	100%
BRE Clean Technologies Limited ¹	100%

[#] Company limited by guarantee

The Company is a member of the following company (which it does not control):

Company limited by guarantee

National Centre for Excellence in Housing (non trading)

¹ Registered office - Bucknalls Lane, Watford, WD25 9XX UK

² Registered office - 1123 Fremont Blvd, Suite C & D, Seaside, CA 93955 USA.

³ Registered office - Room 201, Block A, Qianwan 1 Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Peoples Republic of China (P.R.C)

⁴ Registered office - Scotia Plaza, 40 King Street W, Toronto, Ontario, M5H 3Y2 Canada

24 Related party transactions

During the year the Company made no sales (2018: £13,020) to Wates Group Limited and its subsidiary companies, a company of which James Wates, the Trustee Chairman, is a director. At the year end the amount owed to the Company was £nil (2018: £nil). During the year the Company did not use the services of Build UK Group Limited, a company of which James Wates was a director (2018: £10,000). The amount outstanding at 31 March 2019 was £nil (2018: £nil).

During the year the Company did not use the services of Ant Consultancy (2018: £15,148). Alexander Trafford, the son of Niall Trafford the former Chief Executive Officer of BRE is a director of Ant Consultancy. The amount outstanding at 31 March 2019 was £nil (2018: £nil).

Ashley Wheaton, a non-executive director of BRE, is a director of University College Estate Management. During the year, work undertaken for the college generated income of £5,000 (2018: £25,000). In addition, venue hire services generated income of £6,182 (2018: £26,106). The balance outstanding at 31 March 2019 was £nil (2018: £4,586).