Hurley Palmer Flatt Limited

Directors' Report, Strategic Report and Financial Statements

Registered number 02694373

For the Year ended 31 March 2019

Company Information

Directors	P D Flatt P Roche R S Thorogood T R Crockett (Appointed 24 June 2019) H E Lewis (Appointed 24 June 2019) C Smith (Resigned 24 June 2019)
Company secretary	J Amin
Company number	02694373
Registered office	240 Blackfriars Road 7th Floor London SE1 8NW
Auditors	KPMG LLP 15 Canada Square London E14 5GL
Business address	240 Blackfriars Road 7th Floor London SE1 8NW

Contents

Strategic Report

Principal Activities

The principal activities of the Company are divided into the following service lines:-

- Building Services Engineering Consultants including Vertical Transportation design
- Structural and Civil Engineering Consultants
- Full BIM design and modelling
- Advanced Building Optimisation
- Energy & Sustainability Consultants including Strategic Energy Consulting, Legislative Compliance, LEED and BREEAM Assessors
- IT/AV, Security and Technology Consultants
- Commissioning Management and Validation
- Critical Engineering Design as Lead consultant including all services including Health and Safety, Project Management, Contract Administration and Monitoring

Business Review

The year ended 31 March 2019 concluded another satisfactory period for the Company resulting in turnover of £23,324,612 (2018: £21,979,794), gross profit of £5,318,789 (2018: £5,225,557) and operating profit of £1,297,915 (2018: £1,035,748).

The Company balance sheet represents responsible trading with debtors of £9,597,415 (2018: £20,612,519), and creditors of £7,292,321 (2018: £8,504,946), with net assets (shareholder funds) of £4,482,896 (2018: £14,651,461), a decrease of 69% (2018: increase 7%). The significant reduction in net assets is because £11.5m of dividends were paid in the year.

The financial results recorded within the year to 31 March 2019 were considered to be a reasonable result and the Company is confident that the growth in both clients and revenue will continue given the current levels of market activity.

We continue to focus on our two main specialisms; Complex Mission Critical Engineering Environments for Global Corporations and Complex Engineering for Developers both of which are supported by our Energy & Sustainability Division. Our depth of expertise in these areas has resulted in Hurley Palmer Flatt becoming the "Trusted Advisor" for a number of our Financial Services, Natural Resources, Technology and Developer clients worldwide.

Post year end on the 24th June 2019, HDR Inc. a Company based in the United States of America acquired 100% of the share capital from Hurley Palmer Flatt Group Limited. This acquisition brings together HDR's global practice with HPF Group's strategic locations in Europe, the Middle East and Africa, and in the Asia-Pacific region.

Market Overview and Business Planning

The Business Plan for the next three years provides for both UK and international expansion. This includes following our clients into new international markets and opening offices locally in order to support their needs.

The Company has continued the policy of recruiting additional Engineering Directors in order to take market share with existing and new clients in new sectors and geographies.

We look forward to another exciting year and as part of our commitment to sustainable development and robust energy conscious design.

Strategic Report *(continued)*

Employee Involvement

Our ISO 9001 Quality Management System and ISO 14001 Environmental Management System require the business to develop our high calibre staff by improving communication and motivation through continual training and development, which continues to support our objective of "Delivery Excellence" whilst being a preferred employer.

Through the Hurley Palmer Flatt GATES (Graduates and Training Engineering Solutions) we continue to sponsor under-graduates and students. Periodic communications are sent to all staff providing updates on developments in the business and sessions are held to enable questions to be raised and for feedback to be given. The G&T (Gifted and Talented) Management programme is running, which allows the best staff to improve their management techniques to allow advancement of their careers with Hurley Palmer Flatt.

Business Risks

Price Risk

The general construction market continues to be price sensitive, however, our specialist activities allow the business to be the leader in a number of areas thus ensuring that we are the consultant of choice with both FTSE 100 clients and global corporations.

We continue to innovate and tailor our services to match the needs of our clients. Providing specialist advice on legislative changes, compliance issues and asset value improvement schemes has led to us being able to provide a more comprehensive service, whilst continuing strong client retention.

Credit Risk

Credit control procedures have been established and are rigorously enforced. At the centre of these procedures is regular informal and formal dialogue with both our clients and our internal account holders to ensure potential problems are managed proactively. There have been no significant bad debts during the last financial period.

Contract risk

This is the risk identified that the Company will fail to meet its contractual obligations in connection with revenue generating activity, for example, by reference to the quality of work performed, the level of costs compared to forecast or delivery within an agreed timeframe. The Company is engaged on a wide range of contracts, with the successful delivery of all contracts being controlled and managed through the Company's operating structure. In delivering these contracts, processes have been established to monitor and manage potential risk.

Liquidity Risk

Cash forecasts are produced monthly and cash balances and flows are managed on a daily basis to monitor liquidity but also to ensure sufficient funds are available for unforeseen requirements.

Uncertainties

The decision on 23 June 2016 of the UK electorate to vote to leave the European Union as of yet has had no material impact on the UK construction and real estate markets. The Group will continue to monitor and assess the impact on its clients and suppliers on an ongoing basis.

Strategic Report *(continued)*

Corporate and Social Responsibility

Hurley Palmer Flatt is committed to conduct its business in a socially responsible way and to embed sustainability into every aspect of our organisation. We have rolled out a formal Environmental Management System to our offices (achieving certification to ISO14001) and are developing a suppliers' evaluation programme, both for our own suppliers and for the materials, equipment and services we specify.

At Hurley Palmer Flatt, the directors take pride in the positive impact that we have in the communities where we work and live; we support employee initiatives for volunteering or fund raising for local and national charities. A copy of the Group's CSR policy is available on the company website.

Financial Instruments

At the present time, the Company and wider Group are largely able to hedge its foreign currency exposure through the matching of foreign currency receipts and payments within a country. Where this is not possible, derivative financial instruments designed to reduce our long-term exposure to foreign currency exchange risk are occasionally entered into, but this is very much by exception. The directors are of the opinion that no material exposure exists at the period end. To the extent that translation and transaction gain and losses become significant, the directors will consider various options to further reduce this risk.

On behalf of the board

P D Flatt
Group Chairman

240 Blackfriars Road
7th Floor
London
SE1 8NW

11 November 2019

Directors' Report

The directors present their Directors Report, Strategic Report and Financial Statements for the Year ended 31 March 2019.

Proposed Dividends

The directors have declared and paid dividends of £11,500,000 in respect of the year ended 31 March 2019. In the prior year no dividends had been declared.

Directors

The directors holding office during the year were as follows:

P D Flatt (Group Chairman)
P Roche
R S Thorogood
C Smith (Resigned 24 June 2019)

Political and charitable contributions

The Company made no political contributions during the year. Donations to UK Charities amounted to £6,573 (2018: £39,795).

Disclosure of information to auditor

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.

Other Information

An indication of the likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

P D Flatt
Group Chairman

240 Blackfriars Road
7th Floor
London
SE1 8NW

11 November 2019

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

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HURLEY PALMER FLATT LIMITED

Opinion

We have audited the financial statements of Hurley Palmer Flatt Limited ("the company") for the year ended 31 March 2019 which comprise the profit and loss and other comprehensive income account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the long term contract revenue recognition and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HURLEY PALMER FLATT LIMITED *(continued)*

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HURLEY PALMER FLATT LIMITED *(continued)*

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Richard Johnson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 14 November 2019

Profit and Loss Account and Other Comprehensive Income

for the year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	2	23,324,612	21,979,794
Cost of sales		(18,005,823)	(16,754,237)
Gross profit		5,318,789	5,225,557
Administrative expenses		(4,020,874)	(4,189,809)
Operating profit	3	1,297,915	1,035,748
Interest payable and similar expenses	6	(64,678)	(38,493)
Profit before taxation		1,233,237	997,255
Tax on profit	7	98,198	(99,381)
Profit for the financial year		1,331,435	897,874
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,331,435	897,874

The results stated above are all derived from continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

Balance Sheet
at 31 March 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	*8*		679,944		500,954
Investments	*9*		6,433		6,433
			686,377		507,387
Current assets					
Debtors	*10*	9,597,415		20,612,519	
Cash at bank and in hand		1,491,425		2,036,501	
		11,088,840		22,649,020	
Creditors: amounts falling due within one year	*12*	(7,292,321)		(8,504,946)	
Net current assets			3,796,519		14,144,074
Total assets less current liabilities			4,482,896		14,651,461
Net assets			4,482,896		14,651,461
Capital and reserves					
Called up share capital	*13*		142,875		142,875
Share premium account			76,086		76,086
Capital redemption reserve			96,305		96,305
Profit and loss account			4,167,630		14,336,195
Shareholders' funds			4,482,896		14,651,461

These financial statements were approved by the board of directors 11 November 2019 and were signed on its behalf by:

P D Flatt
Chairman

The notes on pages 12 to 26 form part of these financial statements.

Statement of Changes in Equity

	Called up Share capital	Share Premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 April 2017	142,875	76,086	96,305	13,438,321	13,753,587
Total comprehensive income for the period					
Profit	-	-	-	897,874	897,874
Total comprehensive income for the period	-	-	-	897,874	897,874
Balance at 31 March 2018	**142,875**	**76,086**	**96,305**	**14,336,195**	**14,651,461**
Balance at 1 April 2018	142,875	76,086	96,305	14,336,195	14,651,461
Total comprehensive income for the period					
Profit	-	-	-	1,331,435	1,331,435
Total comprehensive income for the period	-	-	-	1,331,435	1,331,435
Dividends Paid	-	-	-	(11,500,000)	(11,500,000)
Balance at 31 March 2019	**142,875**	**76,086**	**96,305**	**4,167,630**	**4,482,896**

The accompanying notes are an integral part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Hurley Palmer Flatt Limited (the "Company") is a company limited by shares and incorporated and domiciled in the England, in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Hurley Palmer Flatt Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Hurley Palmer Flatt Group Limited are prepared in accordance with FRS 102 and are available to the public. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The directors have considered the factors that impact the Company's future development, performance, cash flows and financial position along with the current liquidity in forming their opinion on the going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company made a net profit for the year of £1,331,435 (2018: £897,874) and had net assets of £4,482,896 (2018: £14,651,461) at the balance sheet date. The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Company has met its day to day working capital requirements throughout the period through effective management of working capital without the need to incur any further debt.

The Directors have prepared cash flow forecasts for the Company for twelve months from the date of approval of these financial statements. These indicate that the Company will have adequate cash resources to meet its obligations as they fall due.

At the date of approval of the financial statements, the directors have every reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Basic Financial Instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other 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, less any impairment losses in the case of trade debtors. 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 of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company.. Investments in subsidiaries are carried at cost less impairment in accordance with FRS 102.17.15E-F, with net revaluation gains recognised in OCI and net revaluation losses in profit or loss.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Post-retirement benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1. Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. 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 provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1. Accounting policies *(continued)*

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Contract debtors

Contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the Turnover and Long Term Contracts accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

Turnover and Long Term Contracts

Turnover is recognised either based on the stage of completion on long term contracts or based on the delivery of services on time and material engagements.

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is recognised on an appropriate stage of completion for the project, based on costs incurred to date as a proportion of total predicted costs, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Notes *(continued)*

1. Accounting policies *(continued)*

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are carried at cost less impairment.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Fixtures, fittings and equipment 3 – 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

2. Turnover

Turnover is derived from the principal activities of the Company and occurs in the following geographical regions.

	2019 £	2018 £
Geographical market by destination:		
United Kingdom	16,618,061	17,015,340
EMEA	4,931,554	4,491,649
Rest of world	1,774,997	472,805
	23,324,612	21,979,794

3. Notes to the profit and loss account

Auditor's remuneration:	2019 £	2018 £
Amounts receivable by the auditor's and associates in respect of:		
Audit of these financial statements	48,950	55,950
Other services relating to taxation	45,000	45,000

Profit on ordinary activities before taxation is stated after charging:	£	£
Depreciation on tangible fixed assets		
Owned	317,697	244,072
Leased	32,750	87,003
Hire of plant and machinery – rentals payable under operating leases	17,379	39,945
Hire of other assets – operating leases	1,110,720	1,015,001

4. Remuneration of directors

	2019 £	2018 £
Directors' emoluments	696,637	1,119,754
Group contributions to money purchase pension schemes	24,450	26,500
	721,087	1,146,254

During the period 2 (2018: 2) directors were accruing benefits under the money purchase pension scheme.

The aggregate of emoluments paid to the highest paid director was £367,918 (2018: £770,734) and contributions of £Nil (2018: £Nil) were made to a money purchase pension scheme on his behalf.

Notes *(continued)*

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Engineers	117	117
Administration	45	35
	162	152

The aggregate payroll costs of these persons were as follows:	2019 £	2018 £
Wages and salaries	9,405,969	9,027,559
Social security costs	1,128,077	1,039,218
Other pension costs (see note 15)	540,323	598,367
	11,074,369	10,665,144

6. Interest payable

	2019 £	2018 £
Other interest payable	64,678	38,493

Notes *(continued)*

7. Taxation

	2019 £	2018 £
Analysis of tax charge in year		
UK corporation tax		
Current Tax on income for the year	345,203	226,242
Research and development tax relief	(406,852)	(214,524)
Adjustments in respect of prior periods	(53,419)	85,067
Total current tax (credit) / charge	(115,068)	96,785
Deferred tax (see note 11)		
Origination and reversal of timing differences	16,870	3,371
Adjustment in respect of prior periods	-	(775)
Total deferred tax	16,870	2,596
Tax (credit) / charge on profit	(98,198)	99,381

	2019 £ Current tax	2019 £ Deferred tax	2019 £ Total tax	2018 £ Current tax	2018 £ Deferred tax	2018 £ Total tax
Recognised in Profit and loss account	(115,068)	16,870	(98,198)	96,785	2,596	99,381
Total tax	(115,068)	16,870	(98,198)	96,785	2,596	99,381

Analysis of current tax recognised in profit and loss

	2019 £	2018 £
UK corporation tax	(115,068)	96,785
Total current tax recognised in profit and loss	(115,068)	96,785

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

The current tax for the year is lower (2018: *lower)* as the standard rate of Corporation Tax of 19% (2018: 19%). The differences are explained below.

	2019 £	2018 £
Profit for the year	1,233,237	997,255
Tax using the UK corporation tax rate of 19% (2018: 19%)	234,315	189,478
Non-deductible expenses	91,755	68,026
Group relief received for nil consideration	-	(37,591)
Surrender of tax losses for R&D tax credit refund	19,133	-
Research and development tax relief	(406,852)	(214,524)
Adjustments in respect of prior periods	(53,419)	84,292
Capital allowances in excess of depreciation	14,329	10,097
Short term timing differences	2,541	(397)
Total tax expense included in profit or loss	(98,198)	99,381

Factors that may affect future current and total tax charges

A reduction in the UK Corporation Tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax balances at 31 March 2019 have been calculated based on these rates

Notes *(continued)*

8 Tangible fixed assets

	Fixtures, fittings and equipment £
Cost	
At beginning of year	1,910,056
Additions	529,437
At end of year	2,439,493
Depreciation	
At beginning of year	1,409,102
Charge for year	350,447
At end of year	1,759,549
Net book value	
At 31 March 2019	**679,944**
At 31 March 2018	500,954

	2019 £	2018 £
Net book value of assets included above held under hire purchase and finance leases	**303,549**	173,606

Notes *(continued)*

9 Investments

	Shares in group undertaking £
Cost at beginning and end of year	6,433
Net book value	
At 31 March 2019	6,433
At 31 March 2018	6,433

The undertakings in which the Company had an interest at the year-end are as follows:

	Registered Address	Principal Activity	Class and percentage of shares held
Subsidiary undertakings			
HurleyPalmerFlatt PTY Ltd	Level 11, 50 Pitt Street Sydney NSW 2000 Australia	Engineering consultancy	Ordinary A shares 100%

Turnover for the year was £2,606,257 and net assets were £964,217.

HurleyPalmerFlatt Consulting Engineers Private Limited	L2, 294 CST Road Kalina, Santacruz (E) Mumbai 400098 India	Dormant	Ordinary A shares 100%

Turnover for the year was £Nil and net liabilities were £458,532.

Andrew Reid PTE Limited	112 Robinson Road #5-01 Robinson 112 Singapore 068902	Engineering consultancy	100% Ordinary shares

Turnover for the year was £Nil and net assets were £849.

Notes *(continued)*

10 Debtors

	2019	2018
	£	£
Trade debtors	3,962,759	4,049,882
Amounts recoverable on contracts	1,926,931	2,651,057
Amounts due from group companies	2,492,036	12,821,290
Other debtors	39,272	20,711
Corporation Tax	102,856	-
Deferred tax (see note 11)	3,701	20,571
Prepayments and accrued income	1,069,860	1,049,008
	9,597,415	20,612,519

11 Deferred tax assets

	£
At beginning of year	20,571
Charge to the profit and loss for the year	(16,870)
Deferred tax asset at end of year (see note 10)	3,701

The elements of deferred taxation are as follows:

	2019	2018
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	(2,174)	12,155
Other short term timing differences	5,875	8,416
Total deferred tax asset	3,701	20,571

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	2,299,962	2,068,190
Taxation and social security	686,561	982,246
Amounts due to group companies	828,383	728,747
Corporation Tax	-	221,640
Other creditors	347,089	389,633
Accruals and deferred income	3,130,326	4,114,490
	7,292,321	8,504,946

13 Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
142,875 *(2018: 142,875)* Ordinary shares of £1 each	142,875	142,875

14 Commitments

Bank loans of £3,689,012 (2018: £4,151,358) taken up by the ultimate parent company, Hurley Palmer Flatt Group Limited, are secured by a fixed and floating charge over the assets of the Company. All bank loans were repaid on 26th June 2019.

Non-cancellable operating lease rentals are payable as follows:

	2019 £	2018 £
Less than one year	821,504	753,437
Between one and five years	3,063,449	2,562,857
More than five years	1,647,058	1,654,222
	5,532,011	4,970,516

15 Pension costs

The Company operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the Company to the scheme and amounted to £540,323 (2018: £598,367). There were contributions of £21,552 (2018: £49,513) outstanding at the year end.

Notes *(continued)*

16 Post Balance Sheet Events

Post year end on the 24th June 2019, HDR Inc. a Company based in the United States of America acquired 100% of the share capital from Hurley Palmer Flatt Group Limited.

There are no other post balance sheet events.

17 Related Party Transactions

Details of the subsidiary undertakings are shown in note 9. The company has taken advantage of the exemptions and has not disclosed the transactions and balances between wholly owned group entities.

During the year the Hurley Palmer Flatt Limited made £652,955 (2018: £733,142) of sales to Andrew Reid and Partners (Consulting Engineers) Limited, a company owned 51% by Hurley Palmer Flatt Group Limited, the parent company and had a nil balance outstanding at 31 March 2019. All transactions were conducted at arm's length and relate to the provision engineering consultancy services.

During the year the Hurley Palmer Flatt Limited made £288,374 (2018: £90,148) of purchases from Andrew Reid and Partners (Consulting Engineers) Limited, a company owned 51% by Hurley Palmer Flatt Group Limited, the parent company and had a nil balance outstanding at 31 March 2019. All transactions were conducted at arm's length and relate to the provision engineering consultancy services.

During the year the Hurley Palmer Flatt Limited made sales of £nil (2018: £13,500) to MBCL Holdings Limited, a company owned 51% by Hurley Palmer Flatt Group Limited, the parent company and had a nil balance outstanding at 31 March 2019. All transactions were conducted at arm's length and relate to the provision engineering consultancy services.

18 Ultimate Controlling Party

By virtue of his shareholding the ultimate controlling party of the Company is HDR Inc.