

Company Registration No. 01383511 (England and Wales)

**WSP UK LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**



# WSP UK LIMITED

## COMPANY INFORMATION

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**Directors**

M Du Plooy  
M Naysmith  
M Barnard  
C Thompson

**Company secretary**

K Sewell

**Company number**

01383511

**Registered office**

WSP House  
70 Chancery Lane  
London  
WC2A 1AF

**Independent auditor**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

**Bankers**

HSBC Bank plc  
City of London Branch  
60 Queen Victoria Street  
London  
United Kingdom  
EC4N 4TR

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# WSP UK LIMITED

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# WSP UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their strategic report on WSP UK Limited (the "Company") for the year ended 31 December 2022.

#### Review of the business

The principal activity of the Company is the provision of professional services to transform the built environment. Its expertise includes urban planning, engineering consultancy services for iconic buildings and designing sustainable transport networks.

The Company is a subsidiary of WSP Global Inc., which heads an international group of companies. WSP Global Inc. and its subsidiaries are hereinafter collectively referred to as the "Group". The consolidated financial statements of WSP Global Inc. are available to the public and may be obtained from the website, [www.wsp.com](http://www.wsp.com).

During the financial year, the Company earned revenue of £736,656,000 (2021: £636,361,000), an increase of 15.8% compared with the previous year. Profit before taxation was £45,653,000 (2021: £41,423,000), an increase of 10.2%. The increase in revenue and profit before taxation reflects organic growth and the impact of the 1 January 2022 acquisition of trade and assets from Golder Associates (UK) Limited, a fellow group entity. Profit before taxation includes the receipt of dividend income of £14,900,000 offset by impairment in subsidiaries of £12,811,000 and the recognition of an expected credit loss provision on an intercompany funding receivable of £11,685,000.

On 21 September 2022, the Company acquired the entire share capital of G L Hearn Limited and WSP (Real Estate and Infrastructure) Limited (formerly known as Capita (Real Estate and Infrastructure) Limited from a third party.

As at 31 December 2022, the Company had net assets of £281,298,000 (2021: £155,607,000).

#### Defined benefit pension schemes insurance buy-in policy

In December 2022, three of the UK defined benefit pension schemes purchased an insurance buy-in policy with an insurance company covering £26.3m of UK pension liabilities, which is approximately a quarter of the pension portfolio. The buy-in policies transfer the longevity, market, interest and inflation risk to the insurers and reduces the pension risks being underwritten by the Group. The Company paid an upfront premium of £1.75m and expects to make no further payments to the schemes.

The premium paid represents a plan asset, initially recognised at the value of the premium paid and immediately remeasured to fair value through OCI, which is equal to the defined benefit obligation, yielding a nil defined benefit surplus /deficit on the balance sheet.

#### Section 172(1) statement

The Board of Directors of WSP UK Limited consider that they have acted, both collectively and individually, in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its sole shareholder. In this context, the Board has had regard to the stakeholders and matters set out in section 172(1) (a - f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2022. The following paragraphs set out how the Board of Directors has fulfilled its duties in relation to each of these matters:

#### *The likely consequences of any decisions in the long-term*

In conjunction with its ultimate parent entity, WSP Global Inc., the Board has adopted the 2022-2024 Global Strategic Action Plan and produced a reciprocal plan focussed on the Company's markets with a view to enabling the long-term success of the Company. The strategy revolves around our foundational pillars, namely Clients, People and Culture, Operational Excellence and Expertise. The Board is mindful of the fact that the future world will be very different from today's and is guided by our "Future Ready" Innovation Programme and thinking that encourages consideration of key trends in climate change, society, technology and resources, and challenges our teams to work with our clients to advise on solutions that are both ready for today and suitable for the future.

# WSP UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### *The interests of the Company's employees*

The Company's success is attributable to a strong focus on client relationships, our technical expertise, empowerment and the commercial ability of our professionals, underpinned by their profound understanding of the local markets in which they operate. The Company has made extraordinary efforts to attract, develop, engage, and retain the best professionals in our fields of expertise because this is what differentiates us from the competition. We care about individuals and our People and Culture strategy focuses on health, safety and wellbeing through our zero-harm culture and Thrive program. These provide our people with an environment to deliver their full potential by creating a range of diverse career paths with supporting training and development opportunities. Our intention is to create a more inclusive, diverse and engaged business with a strong sense of belonging and more opportunity for our people to grow.

#### *The need to foster the Company's business relationships with suppliers, customers and others*

Bringing the best of WSP to our clients is at the centre of everything that the Company has undertaken and continues to do. The Company regularly obtains client feedback and proactively uses it to improve our service delivery and the client experience.

The Company works closely with its suppliers and partners actively managing these relationships to continually improve behavioural alignment from a commercial and compliance perspective.

#### *The impact of the Company's operations on the community and environment*

The Company's projects are increasing in complexity due to the dynamic nature of the trends transforming our world and the importance of social acceptability. To continue to bring tangible value to our clients, the Company is building its service offering on its ability to understand and adapt to their changing needs while creating long-lasting value for our communities. The Board knows that the Company's solutions will shape the communities of tomorrow and help societies to live sustainably and thrive in the future.

The Company supports community involvement by its employees and encourages volunteering, charitable activity and donations of both time and money. Our intention is to increase the social value we create through our activities over the next strategic cycle.

The Board is committed to reducing the environmental impact of the Company's operations. As experts in assisting the Company's own clients' implementation of carbon reduction measures, we continue to focus on reducing our own environmental impact. One of the major objectives outlined in WSP's 2022-2024 Global Strategic Action Plan is our 2030 science-based greenhouse gas emissions reduction targets, which can be found on WSP Global Inc.'s website [www.wsp.com](http://www.wsp.com), while increasing our clean revenues to more than half of our business. WSP Global Inc.'s carbon reduction goals have been accredited by Science-Based Targets International (SBTI) for alignment with its Corporate Net-Zero Standard, including both near-term and long-term targets in line with a maximum of 1.5°C warming compared with pre-industrial levels, working towards a Net-Zero position by 2040. WSP Global Inc. is now engaging with its largest suppliers to require carbon disclosures via CDP (formerly the Carbon Disclosure Project) that in turn will improve estimates of Scope 3 emissions over time. The Company is aiming to be Carbon Neutral in its operations (Scope 1, 2 and defined parts of Scope 3) by 2025. The Company's annually updated Carbon Reduction Plan is published on its website, containing latest metrics related to carbon emissions and their reduction. This publication complies with UK Government requirements under PPN06/21, which enables participation in procurement subject to the Public Contracts Regulations 2015.

#### *The desirability of the Company maintaining a reputation for high standards of business conduct*

WSP's reputation is founded on the world-class work of our people and our resolute commitment to our clients and communities. The Board has put the highest ethical standards at the centre of all that it does and professionalism is inherent in our offering; it carefully considers the reputation of the Company and WSP Global Inc., and the implications on reputation when making its decisions. In addition, the Company is mindful of how and with whom business is conducted and, as an example, does not engage with third parties who display unsatisfactory business conduct or ethics.

#### *The need to act fairly between shareholders of the Company*

The Company has only one class of share in issue and all shares are held by a sole shareholder and both the Company and its direct shareholder are part of a larger WSP global group with the ultimate parent, WSP Global Inc., a Canadian incorporated company listed in Toronto.

# WSP UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### **Future developments**

The Company anticipates that it will continue to pursue its principal activities for the foreseeable future. Events after the reporting date are disclosed in the Directors' Report.

On 1 April 2023, the Company acquired the majority of the trade and assets of WSP Environment and Infrastructure Solutions UK Limited (formerly Wood Environment and Infrastructure Solutions UK Limited), a fellow group entity. Consideration was £44,724,000.

On 1 July 2023, the Company acquired the majority of the trade and assets of WSP (Real Estate and Infrastructure) Limited (formerly Capita (Real Estate and Infrastructure) Limited), a subsidiary of the Company. Consideration was £53,323,000.

On 1 July 2023, the Company acquired the trade and assets of the Planning and Development business of G L Hearn Limited, a subsidiary of the Company. Consideration was £3,259,000.

#### **Principal risks and uncertainties**

The Company's activities expose it to a number of risks as set out below.

##### *Health and Safety risks and hazards*

The Company's health and safety systems, processes and policies are aimed at reducing risks to employees, subconsultants and others; however, work sites can put employees and others in proximity with large equipment, moving vehicles, dangerous processes or highly regulated materials in challenging or remote locations which may increase the risk to health and safety. Failure to implement or follow appropriate safety procedures by us or others could result in personal injury, illness or loss of life to people, or environmental and other damage to the Company's property or the property of others. On some project sites, the Company may be responsible for safety and, accordingly, it has an obligation to implement effective safety procedures. In the ordinary course of the Company's business, it frequently makes professional judgments and recommendations about environmental and engineering conditions of project sites for its clients. The Company may be deemed to be responsible for these professional judgments and recommendations if they are later determined to be inaccurate or result in injury or damage. Unsafe work conditions also have the potential of increasing project and operating costs and could negatively impact the awarding of new contracts. The Company could also be exposed to substantial security costs in order to maintain the safety of its personnel as well as to civil and/or statutory liability to employees and to reputational harm arising from injuries or deaths because of inadequate health and safety policies and practices.

The Company cannot fully protect against all these risks, nor are all these risks insurable. The Company may become liable for damages arising from these events against which it cannot insure or against which it may elect not to insure for various reasons. Acts of terrorism and threats of armed conflicts in or around various areas in which the Company operates could limit or disrupt markets and its operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts, or the loss of key employees, contractors or assets. Furthermore, the Company risks incurring additional costs on projects that have sustained environmental or health and safety hazards because they may require additional time to complete or because employee time may be lost due to injury.

##### *Geopolitical risks*

The Company is exposed to various geopolitical risks as it operates in an increasingly interconnected global economy. Escalating conflicts and unrest can affect particular regions and may also have severe repercussions in other parts of the world. As such, the Company may be adversely affected by deteriorating uncertainties arising from political, military or social conditions emerging from domestic or international conflicts and crisis.

The potential impacts on the Company depend on the extent and depth of geopolitical conflicts as they materialise and may include consequences such as delays or cancellation of contracts, changes in regulatory practices, impact to tariffs and taxes, restrictions to global mobility, productivity slowdowns, low workforce morale, inability to deliver projects in the affected region and deterioration of local and global economies.

# WSP UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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In particular, the armed conflict between Ukraine and Russia has accelerated a global energy crisis as a result of Western sanctions imposed against Russia. The conflict has adversely impacted the price of fuel and energy and has impacted mobility of people and goods across the European Union. The Company has suffered limited impacts so far and continues to monitor this conflict closely and adjust its operations and practices to minimize potential impacts. However, should the Ukraine-Russia conflict persist for a significant period of time, the Company may be adversely affected by deteriorating impacts on its employees, operations and business.

The volatile, uncertain and unpredictable nature of external factors related to geopolitical risks cannot be easily managed. The Company has established a systematic process to assess and monitor regional conditions and has defined appropriate policies and controls to engage in work that aligns with its risk tolerance levels. However, these conditions may change through time and potentially render these controls ineffective. If the Company does not successfully and timely adjust to these factors or implement appropriate mitigations, its workforce, business and results of operations may be materially adversely impacted.

#### *Economic environment*

Demand for the Company's services can be impacted by economic factors and events. Economic conditions in any of the markets in which the Company operates may be weak and may remain weak or become weaker in the future. Also, there is a growing risk of recessions or other economic downturns. In addition, many governments used, or continue to use, significant levels of fiscal stimulus in an attempt to avoid recessions and now have significant and growing debts and deficits that may require actions such as spending cuts and higher taxes. Any of these conditions may impact demand for the Company's services by public and private entities or impact our cost of doing business. Demand for the Company's services may also be vulnerable to reductions in private industry spending resulting from sudden economic downturns or changes in commodity prices such as oil, natural gas or metals, which may result in clients delaying, curtailing or cancelling proposed and existing projects, in some cases with little or no prior notice. Any of these conditions may adversely affect the demand for the Company's services, which may negatively affect its business, financial condition and results of operations.

In addition, currency and interest rate fluctuations, financial market volatility or credit market disruptions may negatively affect the ability of the Company's customers to obtain credit to finance their businesses on acceptable terms. If the operating and financial performance of the Company's customers deteriorates or if they are unable to make scheduled payments or obtain credit, the Company's customers may not be able to pay the Company. Any inability of customers to pay the Company for its services may adversely affect its backlog, earnings and cash flows.

Lastly, rising inflation, interest rates and construction costs could reduce the demand for the Company's services in the markets in which it operates or may operate in the future. The Company also generally bears the risk of rising inflation in connection with fixed-price contracts and may also bear inflation risk in relation to cost-plus contracts with ceilings or contracts on a time and material basis where hourly rates are fixed. In addition, if the Company expands its business into markets or geographic areas in which fixed-price work is more prevalent, inflation may have a larger impact on the Company's results of operations. The impact of inflation could also subject the Company to significant cost pressure, including increasing costs of borrowing, or lead to a decrease in the liquidity of capital markets.

#### *Working with the UK Government and Government Agencies*

The demand for the Company's services is affected by the level of government funding that is allocated for rebuilding, improving, and expanding infrastructure systems. The Company derives a significant portion of its revenues from the UK Government or UK Government-funded projects and expects to continue to do so in the future. Significant changes in the level of government funding, the short-term and long-term impacts of the COVID-19 pandemic (including future budgetary constraints, concerns regarding deficits, inflation and a recession), economic crisis, changing political priorities or delays in projects caused by political deadlock, may adversely affect the Company's business, prospects, financial condition and results of operations.

The success and further development of the Company's business depend, in part, on the continued funding of these government programs and on the Company's ability to participate in these programs. However, the UK Government may not have available resources to fund these programs or may decide not to fund these programs for diverse political reasons.

Most government contracts are awarded through a rigorous competitive process which may result in the Company facing significant additional pricing pressure, uncertainties, and additional costs. As such:

# WSP UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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- Government contracts are based on strict regulatory and statutory foundations of public procurement. Non-compliance with these regulatory requirements by the Company may result in termination of contracts, suspension or debarment from future governmental projects and/or other sanctions including the imposition of penalties or fines.
- Government contracts are typically subject to renewal or extensions over a defined period, and thus the Company cannot be assured of its continued work under these contracts in the future.

Our inability to win new contracts or be awarded additional work under existing contracts could have a material adverse impact on the Company's business, financial condition and results of operations.

#### *Availability and retention of qualified professional staff*

There is strong competition for qualified technical and management personnel in the sectors in which the Company competes. The Company's success depends in part on its continued ability to attract and retain qualified and skilled engineers and other professional staff and to establish and execute an effective succession plan. Over the years, a significant shortage of engineers has developed in some markets which resulted in continued upward pressure on professional compensation packages. There can be no assurance that the Company will be able to attract, hire and retain sufficient qualified management personnel, engineers and other professional staff necessary to continue to maintain and grow its business. If the Company is unable to retain executives and other key personnel, the roles and responsibilities of those employees will need to be filled, which may require that the Company devote time and resources to identify, hire and integrate new employees. If the Company's succession plan fails to identify those individuals with high potential or to develop these key individuals, it may be unable to replace key members who retire or leave the Company and may be required to recruit and/or train new employees. The inability to attract, hire and retain sufficient numbers of qualified management personnel, engineers and other professional staff as well as to establish and execute an effective succession plan could limit the Company's ability to successfully complete existing projects and compete for new projects, which could adversely affect the Company's ability to sustain and increase revenues and its future results.

#### *Climate change risk*

As a Company providing consultancy services with no significant real estate assets, the Company believes its financial exposure to acute physical impacts from climate change is limited. However, there is the potential that changes in climate such as increasing heatwaves, sea level rise, extreme weather events, storm-related flooding or extended drought, or other acute or chronic changes to the climate could disrupt its clients' projects, its project delivery, or the health and safety of its employees. The effects of climate change and extreme weather events on the Company's clients have the potential to cause negative impacts on the Company, including work stoppages, project delays, financial losses and additional costs to resume operations, including increased insurance costs or loss of coverage, legal liability and reputational losses.

Generally, the Company occupies modern offices in well-connected locations. It also has significant regional presence and resilience to ensure that all offices would not be disrupted by adverse climate impacts at the same time. However, the health and wellbeing of our employees may be impacted if there are significant, region-wide events such as heatwaves or extreme weather, regardless of where employees are working, which may impact project delivery. The Company conducts outdoor field activities in the course of its projects, including but not limited to professional surveying, resident engineering services, field data surveys and collection, archeology and geotechnical investigations. Therefore, extreme weather events could also hinder the ability of its field employees to perform their work, which may result in delays or loss of revenues, while certain costs continue to be incurred.

In addition to physical risks, climate change poses transitional risks to the Company such as market and technology shifts, which could result in changes to demand for some of the Company's services both upwards and downwards depending on market sectors and services. Furthermore, policy changes made by the UK Government in response to climate concerns could increase the costs or impact the viability of projects for some clients, or alternatively increase demand for some of our services. It is currently difficult to predict the outcome of climate-related proposals and their impact on the Company and its clients.



# WSP UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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As part of increasing awareness of global climate change, some experts have suggested that companies involved in industries that may impact the environment through their projects may be subject to litigation from governments, shareholders or environmental activists. The cancellation of major projects contracted by the Company due to environmental concerns or significant environmental litigation impacting key clients could materially affect the Company's financial condition, reputation and results of operations. An inadequate approach by the Company to managing energy consumption, greenhouse gas (GHG) emissions, climate-related risks and opportunities, water consumption, waste generation and environmental compliance could also adversely impact the Company.

Growing concerns about climate change may result in the imposition of additional environmental regulations. Legislation, UK & international protocols, regulation or other restrictions on emissions could result in increased compliance costs for the Company and its clients and have other impacts on clients involved in certain market sectors. Such policy changes could increase the costs of projects for the Company's clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for the Company's services, which could in turn have a material adverse impact on the Company's business, financial condition and results of operations. However, these changes could also increase the pace of projects that could have a positive impact on the Company's business. The Company cannot predict when or whether any of these various proposals may be enacted or what their effect will be on it or on its customers.

#### *Information security*

In order to operate properly, ensure adequate service delivery to its clients and meet its business objectives, the Company relies heavily on information technologies. Within these technologies, the Company processes proprietary information relating to its business, client information and information in relation to other third parties. This may include proprietary, sensitive, confidential and personal information limited to the nature of professional services it provides and personal information relating to employees.

The Company faces threats that are constantly evolving, increasingly sophisticated and difficult to detect and successfully defend against. This includes cyber threats from criminal hackers, ransomware, denial of service and other forms of malicious attacks, hacktivists, state sponsored organisations and industrial espionage, phishing and other social engineering techniques, physical or electronic security breaches, computer viruses, unauthorised access, employee misconduct, human or technological errors, or similar events or disruptions. Any of these threats may lead to system interruptions, delays, and loss of critical data and expose the Company, clients, or other third parties to potential liability, litigation, and regulatory action, as well as the loss of client confidence, loss of existing or potential clients, loss of sensitive government contracts, damage to brand and reputation, financial reporting capabilities and other financial loss.

The Company's employees are provided with systems and infrastructure that facilitate secure remote working, including from their place of residence, public spaces and sites owned or managed by third parties and clients. However, these locations may not have the same level of physical security controls as the Company's offices which could increase the risk of a physical security event, such as device theft, which may disrupt operations.

The Company relies on industry-accepted security measures and technical and organisational controls to protect its information and information technology systems, and there can be no assurance that our efforts will prevent all threats to our systems. The Company may be required to allocate increasingly significant resources, and additional security measures, to protect against the cyber threats referenced above.

#### *Financial risk*

Financial risks are disclosed in note 34.

# WSP UK LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### Key performance indicators

The directors utilise various key performance indicators to measure the performance of the business against competitors and previous years:

	2022	2021
- Operating profit margin	7.47%	7.57%
- Current assets/current liabilities*	1.35	1.22
- Earnings Before Interest Tax Depreciation & Amortisation* margin	10.10%	11.04%

\*Non-IFRS measure

This Strategic Report was approved by the Board of Directors and signed on its behalf by:



**M Barnard**

Director

23 August 2023

# WSP UK LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their report and audited financial statements on the Company for the year ended 31 December 2022.

#### Results and dividends

The results for the year are set out on page 21.

Ordinary dividends amounting to £nil (2021: £50,160,000) were paid. The dividends comprised in specie dividends of £nil (2021: £49,600,000) and cash dividends of £nil (2021: £560,000). The directors do not recommend payment of a final dividend.

#### Directors

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

M Du Plooy

(Appointed 1 January 2022)

M Naysmith

M Barnard

C Thompson

#### Directors' insurance

As permitted by the Companies Act 2006, the Group has arranged third party insurance cover in respect of the Company's directors' and officers' liability, which was in force during the financial year and also at the date of approval of the financial statements.

#### Going concern

These financial statements are prepared on the going concern basis. Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis.

The directors have assessed the viability of the Company and reviewed detailed cash flow forecasts for a period of at least twelve months following the date of approval of the Annual Report. In assessing the going concern assumption, the Directors reviewed the Company's base case plans for the period to 30 September 2024, being the first quarterly reporting period end of the WSP Group Inc. ultimate parent company more than 12 months after the approval of the financial statements. Further, the directors have assessed the Company's debt and cash positions, including the Company's ability to meet its day to day working capital requirements and forecast cash flow requirements for the period of assessment. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in these financial statements. In addition, Note 34 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposure to credit risk and liquidity risk.

The directors have considered the ongoing macroeconomic uncertainty resulting from higher inflation, rising interest rates, cost of living pressures and from the war in Ukraine. Business disruption has been reasonably modest and there have been no significant supply chain disruptions, nor is there any significant risk to working capital.

During this period of uncertainty, the Company continues to maintain a robust financial position. The Company is party to an unsecured credit facility of US\$35,000,000, which was undrawn as at 31 December 2022. The arrangement is between a financial institution (the lender) and WSP Group Limited (the borrower), with certain UK Group companies, including the Company, captured within the arrangement.

On 27 April 2017, the Company entered into an Intercompany Revolving Credit Agreement with WSP Global Inc., the ultimate parent. The loan is used by WSP Global Inc. as a way of moving cash around the group in order to maximise the operation of its treasury function. The Company will only loan cash to WSP Global Inc when it has excess funds available and the loan is repayable on demand. Interest is charged at a rate of 2.25% per annum (2021: 2.25%). As at 31 December 2022, the loan, including accrued interest, was a payable of £11,216,000 (2021: receivable of £18,822,000).

# WSP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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After making enquiries, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and for a period of at least twelve months following the date of signing of the Annual Report. Accordingly, the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

#### Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to:

- agree the terms of payment with suppliers when finalising the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

#### Branches

The Company has international branches in Ghana, Serbia, Kenya and the Hashemite Kingdom of Jordan.

#### Financial instruments

The Company's operations expose it to small levels of financial risk that include the effects of price, credit, liquidity and interest rate risk. The Company is reliant on the Group to manage a number of the key financial risks that may affect the performance of the Company. The risks are reviewed and monitored by the directors throughout the year, using established policies and procedures that have been determined in line with the guidelines issued by the parent company. Other than forward foreign exchange contracts, which are not significant, the Company had no currency swaps, derivatives or designated hedging instruments as at 31 December 2022 or 31 December 2021.

The Company is party to an unsecured credit facility of US\$35,000,000. The arrangement is between a financial institution (the lender) and WSP Group Limited (the borrower), with certain UK Group companies, including the Company, captured within the arrangement. Interest on the overdraft facility is 2.50% + Bank of England base rate (2021: 2.50% + Bank of England base rate). The arrangement is not subject to any covenants and is repayable on demand.

On 27 April 2017, the Company entered into an Intercompany Revolving Credit Agreement with WSP Global Inc., the ultimate parent. The loan is used by WSP Global Inc. as a way of moving cash around the group in order to maximise the operation of its treasury function. The Company will only loan cash to WSP Global Inc when it has excess funds available and the loan is repayable on demand. Interest is charged at a rate of 2.25% per annum (2021: 2.25%). As at 31 December 2022, the loan, including accrued interest, was a payable of £11,216,000 (2021: receivable of £18,822,000).

#### Financial risk management

Financial risk management is disclosed in note 34.

#### Research and development

To deliver innovative solutions and develop its market position the Company maintains research links in many areas that make it possible to apply some of the latest technical solutions to the benefit of its clients. The sharing of knowledge and innovations is encouraged through the use of the Company's common databases, intranets and other staff communications.

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned.

Within the limitations of the business, the Company encourages recruitment, training, career development and promotion on the basis of professional capability, without regard to disability, and is committed to retaining and retraining as necessary employees who become disabled during the course of their employment.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

# WSP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Employee involvement

The success of the business depends upon maintaining a highly qualified and well-motivated workforce and every effort is made to achieve a common awareness of the financial and economic factors affecting the performance of the Company. Regular communication with all employees is essential and achieved by formal and informal meetings, through Group intranets, and through the distribution of our internal magazines.

#### Employee engagement

Regular "Pulse" surveys are issued to all employees covering a variety of topics including business performance, company culture and working environments as well as providing employees with an opportunity to provide feedback anonymously. Senior management, including the HR Director, frequently updates the Board about the current state of relationships and engagement with employees, using information gained from the Pulse surveys and from other communication sources. The Board uses these information updates to enable continual improvement of the Company's operations and environment. The Board recognises that employee engagement is critical to the retention of existing skills and the attracting of new employees with fresh ideas and considers the interests of and impact on employees when making decisions. Where a business decision may affect employees, the Board ensures that timely communication to those employees is made via a method considered appropriate, such as email, video webcast or face-to-face meetings.

#### Engagement with suppliers, customers and others

We put the highest ethical standards at the centre of everything we do, which includes our business relationships. Before entering into a business relationship, we perform a number of compliance checks to validate that the relationship will be appropriate to the Company's values.

We foster long-term relationships with our suppliers by engaging in fair commercial arrangements and honouring the associated payment terms, engagement with them to meet our net zero targets, as well as ensuring ongoing communication between our supply chain, accounts payable department and the supplier.

We foster long-term relationships with our clients by adapting to their culture and local market, providing a personalised service while leveraging our worldwide expertise to undertake complex projects and help our clients realise their ambitions. We tailor our service offering to their requirements, present innovative solutions and ideas and strive to achieve a collaborative working environment. We issue surveys to our clients to obtain feedback on our performance and engagement with them, which we use to continually improve our services.

We contribute to local community matters by providing all of our employees with two days leave each year to perform charitable work and by making donations to causes selected by our employees.

In respect of statutory and tax matters, we comply with UK Government legislation including submitting tax filings and other submissions to regulators on time.

#### Post reporting date events

On 1 April 2023, the Company acquired the majority of the trade and assets of WSP Environment and Infrastructure Solutions UK Limited (formerly Wood Environment and Infrastructure Solutions UK Limited), a fellow group entity. Consideration was £44,724,000.

On 1 July 2023, the Company acquired the majority of the trade and assets of WSP (Real Estate and Infrastructure) Limited (formerly Capita (Real Estate and Infrastructure) Limited), a subsidiary of the Company. Consideration was £53,323,000.

On 1 July 2023, the Company acquired the trade and assets of the Planning and Development business of G L Hearn Limited, a subsidiary of the Company. Consideration was £3,259,000.

#### Corporate governance

During the year ended 31 December 2022, WSP UK Limited (the "Company") continued to apply the "Wates Corporate Governance Principles for Large Private Companies". The following summarises how compliance was achieved under each of the six principles:

# WSP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### *Principle 1 - Purpose and leadership*

The Company is a wholly owned indirect subsidiary of WSP Global Inc., a company incorporated in Canada and listed in Toronto, and exists to provide a broad range of engineering, consulting and advisory services relating to the built and natural environment to our clients in the UK market. WSP is one of the world's leading professional service firms providing technical expertise and strategic advice to clients in a variety of sectors while operating within the WSP key values, which are:

- We value our people and our reputation;
- We are locally dedicated with international scale;
- We are future-focussed and challenge the status quo;
- We foster collaboration in everything we do; and
- We have an empowering culture and hold ourselves accountable.

In recent years, the Company has significantly increased in size via organic growth and external acquisition. During the year ended 31 December 2022, the Company had approximately 7,428 employees in the UK and expects to continue to pursue its growth strategy. The Board has adopted the WSP Global Inc. 2022-2024 Global Strategic Action Plan with a view to promoting long-term success. The strategy requires focus around our foundational pillars, namely Clients, People and Culture, Operational Excellence and Expertise.

#### *Principle 2 - Board composition*

The Company's Board comprises Mark Naysmith, Chief Executive Officer for the UK and EMEA; Miles Barnard, Chief Financial Officer for the UK, Central Europe, South Africa and LBI; Mathieu du Plooy, Chief Operating Officer for the UK and South Africa; and Ciaran Thompson, Commercial Director, UK & EMEA. The Board is advised by two, wider cross-discipline senior leadership teams called the Executive Committee (responsible for all operational matters relevant to the Company) and the Executive Leadership Team (responsible for strategic direction and client and people development).

Mark Naysmith joined the Company in 1988 and presently holds the position of Chief Executive Officer for the UK, Middle East, India and Africa and is a member of WSP's Global Leadership Team, Global Operating Team and is Chair of the UK Executive Committee. Having started his career as a civil and structural engineer, Mark spent the majority of his practising career as a transport planner. Mark is a Chartered Engineer (CEng) and a Fellow of the ICE and CIHT, with a BEng Hons (1st) in Civil and Transportation Engineering. In 2018 he was awarded an Honorary Doctorate of Engineering (Dr.Eng) by Edinburgh Napier University in recognition of the contribution he has made to the built and natural environment. Mark is responsible for setting and implementing strategic direction, encouraging technical innovation, operational efficiency and leadership, to ensure the best outcomes are achieved for shareholders, clients and staff.

Miles Barnard is Chief Financial Officer for WSP in the UK, Central Europe, South Africa and Israel and sits on both the UK Executive Committee and the UK Executive Leadership Team. Miles is responsible for the financial management and governance of the business including reporting and planning which encompasses the setting and delivery of the long-term goals of the business. Miles continues to draw on his knowledge implementing continuous improvements to financial systems, processes and procurement as well as assessing and completing business acquisitions. With broad international experience across different sectors, Miles has led significant business restructuring, operational and financial system improvement projects throughout his career. Miles' career started with Atkins plc and Sulzer AG, moving to Siemens AG as Finance and Commercial Director for the UK Building Technologies Division and after five years took on the role of Mergers & Acquisitions Manager. In 2009, Miles joined Mouchel Group as Finance & Commercial Director becoming Managing Director in 2016. WSP acquired Mouchel in October 2016, and in early 2017 Miles was appointed Chief Financial Officer for WSP in the UK. In 2022, Miles's role extended to be Chief Financial Officer for WSP in the UK, Central Europe, South Africa and Israel. Miles is an Associate of the Institute of Chartered Management Accountants (ACMA), and holds a BA in Accounting and Finance.

Ciaran Thompson held the position of Chief Operating Officer for the UK from October 2019 to January 2022; since January 2022, he holds the position of Commercial Director, UK & EMEA. He is a Chartered Civil Engineer with extensive experience in project delivery and operational/commercial management across multiple geographies. He joined WSP in 2010 and was appointed to the Board in September 2020. He is a member of the UK Executive Committee and the UK Executive Leadership Team.

# WSP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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Mathieu du Plooy has held the position of Chief Operating Officer UK & ZA since January 2022. He is a Professional Engineering Technologist with extensive experience in project delivery and operational/commercial management across multiple geographies. He holds a Bachelors of Technology in Mechanical Engineering, a Masters of Business Administration and a Masters of Commerce in Financial Management. He joined WSP in 1999 and was appointed to the Board in January 2022. He is a member of the UK Executive Committee and the UK Executive Leadership Team.

The Board holds monthly board meetings. It reviews its composition annually and has developed a structured, medium-term plan for Board succession. The UK Executive Committee and the UK Executive Leadership Team meet frequently throughout the year.

#### *Principle 3 - Director responsibilities*

The Board is responsible for all operational and compliance matters of the Company, including client service, working capital management, taxation, legal and statutory obligations. While the Company is ultimately owned by a Canadian entity, the Directors of the Company are all UK based and have a high level of familiarity, expertise and knowledge of the UK market. Evaluation of the performance of the Board and evaluation of the performance of individual Directors is conducted via the Performance and Development Review programme annually.

Throughout their tenure as Directors, the training needs of Directors are regularly considered. All Directors have the authority to obtain independent legal advice and have direct access to the UK Head of Legal and Company Secretary.

#### *Principle 4 - Opportunity and risk*

The Company is subject to a number of risks and uncertainties and is affected by a number of factors which could have a material adverse effect on the Company's business, financial condition, operating results, future prospects or achievement of the WSP Global Inc. 2022-2024 Global Strategic Action Plan. The Company maintains and updates a Risk Register, which is overseen by the Chief Operating Officer and which captures business, operational and financial risks with associated mitigating measures. The WSP Global Inc. Board has rolled out group wide initiatives in respect of Health and Safety, Ethics and Compliance and Information Security risks to achieve improved and standardised training, tools and processes across the Group, including the UK.

#### *Principle 5 - Remuneration*

The remuneration of the Chief Executive Officer is reviewed and approved by the WSP Global Inc. Board of Directors. In respect of the remuneration of the other three Directors, the Chief Executive Officer submits a recommendation to, and receives approval from, the WSP Global Inc. Chief Operating Officer, who is also a Director on the WSP Global Inc. Board of Directors.

#### *Principle 6 - Stakeholder relationships and engagement*

As a global organisation, WSP strives to bring value to our stakeholders in a safe, ethical and sustainable manner. The Board recognises that the reputation of WSP depends on our ability to be outstanding professionals, acting with honesty, integrity and transparency in our daily dealings with all of our stakeholders in accordance with our Code of Conduct. Aside from the ultimate parent entity WSP Global Inc., our key stakeholders are our employees, suppliers and clients and WSP's approach to engaging with these stakeholders is presented within this Directors' Report.

#### **Streamlined energy and carbon reporting**

The Company places high priority on reducing its carbon emissions and ensuring limited adverse impact on the environment from its carbon footprint. The Company is committed to reducing its carbon footprint, which includes both carbon emissions in the workplace and business travel and has objectives to be net zero emissions in its own operations by 2025 and to halve the carbon footprint of its designs and advice to third parties by 2030.

#### **Carbon reporting for compliance with Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018**

The following report meets the requirements of the Streamlined Energy and Carbon Reporting ("SECR") regulations for WSP's operations in the UK for the reporting year from 1 January 2022 to 31 December 2022. The Company's disclosures are made to achieve compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

# WSP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

The SECR regulations, which came into force on 1 April 2019, require additional reporting on carbon emissions, energy consumption and energy efficiency. The reporting framework is intended to encourage the implementation of energy efficiency measures, with both economic and environmental benefits, supporting businesses in cutting costs and reducing carbon emissions.

#### Scope and boundary

The reporting boundary includes energy usage and resultant GHG ("greenhouse gas") emissions from electricity and gas usage from the following WSP UK Limited offices that were within the operational control of the business during the year:

Basingstoke Mountbatten House*	Exeter	Naas
Basingstoke Matrix	Glasgow	Newcastle-upon-Tyne
Belfast	Guildford	Northallerton
Birmingham	Heathrow	Northwich
Bourne End*	Hertford	Nottingham
Brighton	Leeds White Rose*	Perth
Bristol	Leeds Wellington Place	Shrewsbury
Cambridge	Liverpool	Southampton
Cardiff	London (Aldermay)*	Surrey
Derby	London (Chancery Lane)	Taunton
Doncaster*	London (Devonshire Square)	Truro
Edinburgh	Maidenhead	Wrexham
Ellesmere Port	Manchester	

\*Offices that closed during 2022

The reporting boundary also includes energy consumption and resultant GHG emissions arising from business travel in vehicles.

#### Data sources

Data for electricity and gas consumption at the offices has been sourced from direct meter readings and invoice data collected throughout the year, where available.

Data is collected for WSP pool vehicles, company vehicles, grey fleet (staff owned), hire cars and taxis.

Vehicle data is collected as follows:

- Pool vehicles - distance data collected via telematics; distances for vehicles without telematics are estimated
- Company vehicles – distance data collected via expense claims
- Grey Fleet – distance data collected via expense claims
- Hire cars – distance data collected from hire car supplier
- Taxis – cost data collected via expense claims

#### Assumptions and limitations

Pool vehicles: Where no telematics data is available, an estimation of distance is applied.

Offices: Where no primary electricity or gas consumption data is available, consumption is estimated based on each property's square footage, together with whether it is air-conditioned or not.

Energy consumption from combustion of fuel for transport purposes: pool vehicle (kWh) (Scope 1) is calculated as set out below:



# WSP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

- miles x 2022 UK Government's Conversion Factors for SECR 'kWh passenger & delivery vehicles'  
Average Car: Petrol, Diesel, or Hybrid.

All of the vehicle data is converted to tCO<sub>2</sub>e using UK Government emission factors.

Our intensity ratio (tCO<sub>2</sub>e/FTE) was based on the average FTE for 2022 and the total gross emissions (3,110 / 7,539 = 0.41).

#### Methodology

In preparing this report, WSP UK Limited have followed the GHG Protocol Corporate Standard and ISO 14064 carbon footprinting framework. The 2022 UK Government's Conversion Factors for Company Reporting have been used to calculate GHG emissions.

Energy totals are reported in kilowatt-hours (kWh) and GHG totals are reported in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). The chosen intensity measurement ratio is total emissions per full time equivalent employee (tCO<sub>2</sub>e/FTE); total FTEs for the year were 7,539.

The following table presents the Company's energy consumption and resultant GHG emissions for the year:

Parameter	1 January 2022 to 31 December 2022	1 January 2021 to 31 December 2021
<b>Total energy consumption (kWh)</b>	15,328,737	13,163,313
<b>Onsite energy used</b>		
Energy consumption from combustion of gas (kWh) (Scope 1)	2,444,330	2,280,443
Energy consumption from purchased electricity (kWh) (Scope 2)	5,464,771	4,957,872
<b>Transport energy used</b>		
Energy consumption from combustion of fuel for transport purposes: pool vehicles (kWh) (Scope 1)	1,231,762	1,154,339
Energy consumption from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (kWh) (Scope 3)	6,187,874	4,770,659
<b>Total gross emissions (tCO<sub>2</sub>e) - using the Location-based electricity figure</b>	3,107	2,876
<b>Scope 1 Emissions (tCO<sub>2</sub>e)</b>		
Scope 1 Emissions from combustion of gas owned or controlled by WSP UK (tCO <sub>2</sub> e)	436	-
Scope 1 Emissions from combustion of fuel for transport purposes: pool vehicles (tCO <sub>2</sub> e)	215	221
Scope 1 Emissions from office-based refrigerant losses (tCO <sub>2</sub> e)	5	76
<b>Scope 2 Emissions (tCO<sub>2</sub>e)</b>		
Scope 2 Emissions from purchased electricity - location based (tCO <sub>2</sub> e)	1,057	1,156
Scope 2 Emissions from purchased electricity - market based (tCO <sub>2</sub> e)	603	662
Scope 2 Emissions from combustion of gas owned or controlled by another company (tCO <sub>2</sub> e)	-	410
<b>Scope 3 Emissions (tCO<sub>2</sub>e)</b>		
Scope 3 Emissions (tCO <sub>2</sub> e) from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO <sub>2</sub> e)		
- rental	420	316
- company cars	54	71
- employee-owned	905	623
- taxis	15	3

# WSP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Intensity ratio (tCO<sub>2</sub>e/FTE)

Ratio of GHG emissions to quantifiable business metric (tCO<sub>2</sub>e/FTE)

0.41

0.44

#### Energy efficiency actions taken

In the year covered by the report, the Company has reported an increase in the overall emissions from 2021 to 2022 due to a return to 'business-as-usual' following covid. Despite this the Company's emissions intensity ratio is down from 0.44 to 0.41 (tCO<sub>2</sub>e/FTE). WSP UK Limited continues to implement decarbonisation policies across the asset portfolio. This includes agreeing green leases with landlords to proactively improve the environmental performance of buildings via energy efficiency measures, waste, and emissions reduction. As part of these schemes, the Company continues to increase the procurement of zero-carbon electricity and green gas across the estate.

#### Disclosure requirements

In accordance with the Companies Act 2006 section 414C(11), the Company's Strategic Report contains certain disclosures required in the Directors' Report. The requirements are included within the Review of the business, Principal risks and uncertainties, Future developments and Key performance indicators sections of the Strategic Report.

#### Independent auditor

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

The Board of Directors is aware of breaches of paragraph 5.40 of the FRC's Revised Ethical Standard 2019, in respect of non-audit services of €5,000 provided to the Company, as disclosed further in the independent auditors' report on pages 17-19. The Directors do not consider this breach to have affected the independence of the Independent auditor for the year ended 31 December 2022.

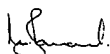
#### Statement of disclosure to auditor

In the case of each director in office at the date this Directors' Report is approved, and in accordance with Section 418 of the Companies Act 2006:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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On behalf of the board



**M Barnard**

Director

23 August 2023

# **WSP UK LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

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# Independent auditors' report to the members of WSP UK Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, WSP UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise the Statement of Financial Position as at 31 December 2022; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers, S.L (PwC Spain) provided a tax compliance non-audit service, in the form of Spanish VAT reclaim submissions, to the company for a fee of €5,000 for the year ended 31 December 2022. As the company is an "Other Entity of Public Interest," tax compliance services are impermissible and the provision of this service amounted to breaches of paragraph 5.40 of the FRC's Revised Ethical Standard 2019.

~~We confirm that, based on our assessment of these breaches, the nature and scope of the service and the subsequent actions taken, the provision of the service has not affected our professional judgements in connection with our audit of the year ended 31 December 2022.~~

Other than the matter referred to above, and to the best of our knowledge and belief, we declare that no non-audit services prohibited by the FRC's Ethical Standard were provided to the company.

Other than those disclosed in Note 8 of the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the appropriateness of the company's cash flow and liquidity forecasting in the context of the company's 2022 financial position and banking facilities;
- Understanding and assessing the appropriateness of the key assumptions used both in the base case and in the directors' severe but plausible downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Corroborating key assumptions to underlying documentation and ensuring this was consistent with our audit work in these areas;
- Testing the mathematical accuracy of management's model;
- Reviewing the letter of support from the ultimate parent company addressed to the company, stating that the ultimate parent will provide the company with the relevant support to meet its obligations as they fall due and confirming that the directors have satisfied themselves that the parent is able to provide this support; and
- Reviewing and assessing the disclosures provided relating to the going concern basis of preparation in the financial statements.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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## Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

### Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, health and safety legislation, data protection legislation, anti-bribery legislation, public procurement legislation, the Competition Act 1998 and construction laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Auditing the risk of management override of controls, including through identifying and testing journal entries using a risk-based targeting approach for unexpected accounts combinations or journals posted by senior management, and testing accounting estimates for potential management bias;
- Review of the financial statement disclosures to underlying supporting documentation and inspection of supporting documentation, where appropriate; and
- Reviewing relevant board meeting minutes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

**Companies Act 2006 exception reporting**

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

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Diane Walmsley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
23 August 2023

# WSP UK LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Revenue	4	736,656	636,361
Subcontractor costs		(129,724)	(118,389)
Employee benefit costs	9	(446,801)	(384,623)
Contract and agency staff costs		(23,847)	(20,856)
<b>Cost of sales</b>		<b>(600,372)</b>	<b>(523,868)</b>
<b>Gross profit</b>		<b>136,284</b>	<b>112,493</b>
Dividend income	6	14,900	1,669
Other income	11	7,069	2,603
Administrative expenses	7	(95,447)	(67,164)
<b>Operating profit before impairment of investments in subsidiaries</b>	8	<b>62,806</b>	<b>49,601</b>
Impairment of investment in subsidiaries	18	(12,811)	(1,604)
<b>Operating profit</b>	8	<b>49,995</b>	<b>47,997</b>
Finance income		1,062	1,407
Finance costs	12	(5,404)	(7,981)
<b>Profit before taxation</b>		<b>45,653</b>	<b>41,423</b>
Income tax expense	13	(7,531)	(5,025)
<b>Profit for the year</b>		<b>38,122</b>	<b>36,398</b>

The above results all relate to continuing activities.

The accompanying notes form an integral part of these financial statements.



# WSP UK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Profit for the year		<u>38,122</u>	<u>36,398</u>
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial gain on defined benefit pension schemes	31	2,135	5,748
Insurance buy-in		(1,750)	-
Tax relating to items not reclassified		<u>(73)</u>	<u>(882)</u>
Total items that will not be reclassified to profit or loss		<u>312</u>	<u>4,866</u>
Total comprehensive income for the year		<u>38,434</u>	<u>41,264</u>

The accompanying notes form an integral part of these financial statements.

# WSP UK LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
<b>Non-current assets</b>			
Goodwill	16	112,849	109,778
Intangible assets	16	2,833	4,176
Property, plant and equipment	17	19,318	17,840
Investments	18	71,403	25,002
Right-of-use asset	21	54,984	57,139
Deferred tax asset	28	13,658	15,998
Retirement benefit surplus	31	1,293	-
		<u>276,338</u>	<u>229,933</u>
<b>Current assets</b>			
Trade and other receivables	23	214,359	169,322
Withholding tax receivable		366	315
Cash and cash equivalents		24,074	32,307
		<u>238,799</u>	<u>201,944</u>
<b>Total assets</b>		<u>515,137</u>	<u>431,877</u>
<b>Current liabilities</b>			
Trade and other payables	26	166,697	147,225
Corporation tax payable		496	469
Lease liabilities	29	10,044	13,197
Provisions	30	2,707	3,448
		<u>179,944</u>	<u>164,339</u>
<b>Net current assets</b>		<u>58,855</u>	<u>37,605</u>
<b>Non-current liabilities</b>			
Borrowings	25	-	50,000
Retirement benefit obligations	31	-	7,025
Provisions	30	8,122	10,343
Lease liabilities	29	45,773	44,563
		<u>53,895</u>	<u>111,931</u>
<b>Total liabilities</b>		<u>233,839</u>	<u>276,270</u>
<b>Net assets</b>		<u>281,298</u>	<u>155,607</u>

# WSP UK LIMITED

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
<b>Equity</b>			
Called up share capital	32	2	2
Share premium account	33	239,545	152,288
Merger reserve		(21,994)	(26,393)
Pension reserve		(7,565)	(7,877)
Retained earnings		71,310	37,587
<b>Total equity</b>		<b>281,298</b>	<b>155,607</b>

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 23 August 2023 and are signed on its behalf by:



**M Barnard**  
Director

Company Registration No. 01383511

# WSP UK LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Called up share capital £'000	Share premium account £'000	Pension reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2021</b>		2	152,288	(12,743)	(30,792)	55,748	164,503
<b>Year ended 31 December 2021:</b>							
Profit for the year		-	-	-	-	36,398	36,398
<b>Other comprehensive income:</b>							
Actuarial gains on defined benefit plans	31	-	-	5,748	-	-	5,748
Tax relating to other comprehensive income		-	-	(882)	-	-	(882)
<b>Total comprehensive income for the year</b>		-	-	4,866	-	36,398	41,264
Dividends paid	14	-	-	-	-	(50,160)	(50,160)
Amortisation of merger reserve		-	-	-	4,399	(4,399)	-
<b>Balance at 31 December 2021</b>		2	152,288	(7,877)	(26,393)	37,587	155,607
<b>Year ended 31 December 2022:</b>							
Profit for the year		-	-	-	-	38,122	38,122
<b>Other comprehensive income</b>							
Insurance buy-in		-	-	(1,750)	-	-	(1,750)
Actuarial gains on defined benefit plans	31	-	-	2,135	-	-	2,135
Tax relating to other comprehensive income		-	-	(73)	-	-	(73)
<b>Total comprehensive income for the year</b>		-	-	312	-	38,122	38,434
Issue of share capital	32	-	87,257	-	-	-	87,257
Amortisation of merger reserve		-	-	-	4,399	(4,399)	-
<b>Balance at 31 December 2022</b>		2	239,545	(7,565)	(21,994)	71,310	281,298

The accompanying notes form an integral part of these financial statements.

# WSP UK LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000 Restated*
<b>Cash flows from operating activities</b>			
Cash generated from operations	39	64,807	44,403
Interest paid		(5,404)	(7,981)
Interest received		1,062	1,407
Tax paid		(5,344)	(4,098)
<b>Net cash inflow from operating activities</b>		<b>55,121</b>	<b>33,731</b>
<b>Investing activities</b>			
Purchase of intangible assets		(1,893)	(2,339)
Purchase of property, plant and equipment		(7,218)	(6,123)
Capital contribution to subsidiary	18	(40,019)	(3,660)
Acquisition of subsidiary	18	(19,193)	(4,200)
Cash acquired through acquisition of trade and assets from Golder Associates (UK) Limited	15	558	-
Issuance of intercompany loans receivable		(54,277)	-
Collection of intercompany loans receivable		22,690	34,938
Dividends received		2,000	813
<b>Net cash (used in)/generated from investing activities</b>		<b>(97,352)</b>	<b>19,429</b>
<b>Financing activities</b>			
Payment of principal portion of lease liabilities		(14,440)	(15,434)
Proceeds from intercompany loans and borrowings		11,181	-
Repayment of intercompany loans and borrowings		(50,000)	(48,809)
Cash received from parent entity in return for shares issued		87,257	-
Dividends paid		-	(560)
<b>Net cash generated from/(used in) financing activities</b>		<b>33,998</b>	<b>(64,803)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8,233)</b>	<b>(11,643)</b>
Cash and cash equivalents at beginning of year		32,307	43,950
Cash and cash equivalents at end of year		24,074	32,307

\*Amounts shown here do not correspond to the 2021 financial statements and reflect adjustments made. Refer to note 1.2.

# WSP UK LIMITED

## STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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The Company received in specie dividend income of £12,900,000 (2021: £856,000). The Company declared in specie dividends of £nil (2021: £49,600,000).

As at 31 December 2022, cash and cash equivalents includes the Company's share of cash held by joint operations of £2,652,000 (2021: £3,555,000).

The accompanying notes form an integral part of these financial statements.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

#### Company information

WSP UK Limited is a private company limited by shares incorporated under the laws of England and Wales and domiciled in the United Kingdom. The registered office is WSP House, 70 Chancery Lane, London, WC2A 1AF. The Company's principal activities and nature of its operations are disclosed in the Directors' report.

#### 1.1 Basis of preparation

The financial statements of WSP UK Limited have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on the going concern basis and on the historical cost basis except for the revaluation of financial assets and financial liabilities held at fair value through profit or loss. There has been no material impact on the financial statements for the current year from the Company's assessment of the impact of climate change, including estimates and judgements made, specifically in relation to revenue recognition, carrying value of investments and goodwill.

The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 in not preparing consolidated financial statements for the current year. The consolidated financial statements of WSP Global Inc., which include the Company, are available to the public and may be obtained from the WSP website [www.wsp.com](http://www.wsp.com).

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The principal accounting policies adopted in the presentation of these financial statements, which have been consistently applied, are set out below:

#### 1.2 Restatement of the Statement of Cash Flows

The Company has a number of loan arrangements with fellow Group entities. In error, cashflow transactions associated with these loan arrangements were presented within "Cash generated from operating activities" within the Statement of Cash Flows. As a result, the 2021 comparative figures in the Statement of Cash Flows have been restated to present cashflow transactions associated with loans receivable within "Cash generated from investing activities" and cashflow transactions associated with loans payable within "Cash generated from financing activities" in line with the requirements of IAS 7 Statement of Cash Flows.

The impact of the restatement of the 2021 comparative figures in the Statement of Cash Flows is as follows:

	2021 £'000
Cash generated from operating activities	11,675
Cash generated from investing activities	34,938
Cash generated from financing activities	(46,613)
	<u>-</u>

There is no impact on the Statement of Comprehensive Income or the Statement of Financial Position.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.3 Going concern

These financial statements are prepared on the going concern basis. Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis.

The directors have assessed the viability of the Company and reviewed detailed cash flow forecasts for a period of at least twelve months following the date of approval of the Annual Report. In assessing the going concern assumption, the Directors reviewed the Company's base case plans for the period to 30 September 2024, being the first quarterly reporting period end of the WSP Group Inc. ultimate parent company more than 12 months after the approval of the financial statements. Further, the directors have assessed the Company's debt and cash positions, including the Company's ability to meet its day to day working capital requirements and forecast cash flow requirements for the period of assessment. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in these financial statements. In addition, Note 34 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposure to credit risk and liquidity risk.

The directors have considered the ongoing macroeconomic uncertainty resulting from higher inflation, rising interest rates, cost of living pressures and from the war in Ukraine. Business disruption has been reasonably modest and there have been no significant supply chain disruptions, nor is there any significant risk to working capital.

During this period of uncertainty, the Company continues to maintain a robust financial position. The Company is party to an unsecured credit facility of US\$35,000,000, which was undrawn as at 31 December 2022. The arrangement is between a financial institution (the lender) and WSP Group Limited (the borrower), with certain UK Group companies, including the Company, captured within the arrangement.

On 27 April 2017, the Company entered into an Intercompany Revolving Credit Agreement with WSP Global Inc., the ultimate parent. The loan is used by WSP Global Inc. as a way of moving cash around the group in order to maximise the operation of its treasury function. The Company will only loan cash to WSP Global Inc when it has excess funds available and the loan is repayable on demand. Interest is charged at a rate of 2.25% per annum (2021: 2.25%). As at 31 December 2022, the loan, including accrued interest, was a payable of £11,216,000 (2021: receivable of £18,822,000).

After making enquiries, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and for a period of at least twelve months following the date of signing of the Annual Report. Accordingly, the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

#### 1.4 Revenue

The Company derives revenue from the delivery of engineering consulting services. If the Company has recognised revenue, but not issued an invoice, then the entitlement to consideration is recognised as a contract asset presented on the Company's statement of financial position. The contract asset is transferred to trade receivables when the invoice is issued indicating that the entitlement to payment has become unconditional. Payment terms associated with customer invoices are typically within 30 days. If payments are received, or invoices are issued to a customer, prior to the rendering of services, the Company recognises a contract liability presented on the Company's statement of financial position. The contract liability is transferred to revenue once related services have been deemed to be rendered.

Revenue is measured based on the consideration specified in a contract with a customer. The Company typically recognises revenue over time, using an input measure, as it fulfils its performance obligations in line with contracted terms.



# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1 Accounting policies

(Continued)

A performance obligation is a promise in the contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognised as revenue when, or as, the performance obligation is satisfied. Most of the Company's contracts have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. Any modifications or variations to contracts in progress are assessed to determine if they fall under the scope of the existing contract performance obligation or form part of a new performance obligation.

Revenue (and profits) from cost-plus contracts with ceilings and from fixed-price contracts are recognised progressively based on a percentage-of-completion method, which is calculated on the ratio of contract costs incurred to total anticipated costs.

Revenue (and profits) from cost-plus contracts without stated ceilings are recognised when costs are incurred and are calculated based on billing rates for the services performed.

Certain costs incurred by the Company for subconsultants and other expenses that are recoverable directly from customers are billed to them and therefore included in revenue. The value of goods and services purchased by the Company when acting as a purchasing agent for a customer is not recorded as revenue.

The effect of revisions to estimated revenue and costs, including the impact from any modifications or variations to contracts in progress, are recorded when the amounts are known, can be reasonably estimated and it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur. These revisions can occur at any time and could be significant. Where total contract costs exceed total contract revenue, the expected loss is recognised as an expense immediately via a provision for losses to completion, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation (e.g. award of incentive fees). In determining the provision to be recognised, the Company considers both incremental costs (e.g., the costs of direct labour and materials) as well as an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision).

Revenue is shown net of VAT.

#### 1.5 Government grants

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. The Company's policy is to consider R&D tax credits as government grants.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.6 Business combinations

Acquisitions are accounted for using the acquisition method and the operating results are included in the financial statements from the date of acquisition. If the initial fair value accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company will report provisional amounts. Those provisional amounts are adjusted in the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the fair value amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the company obtains complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of twelve months.

Where business combinations are between entities under common control, the Company continues to apply fair value acquisition accounting principles to identify the acquired assets and liabilities and to calculate goodwill.

#### 1.7 Merger reserve - debit within equity arising on group reconstructions

On 1 April 2020, the Company acquired certain trade and assets from WSP Management Services Limited, a subsidiary of the Company, and WSP Remediation Limited, an indirect subsidiary of the Company. The Company adopted the predecessor accounting method for these hive ups of trade and assets and therefore the assets and liabilities were transferred at their carrying values. The hive up transactions ultimately resulted in the transfer of net liabilities of £30,792,000. This does not represent a loss to the Company as it has acquired the trade and assets of its subsidiaries which have a positive fair value; accordingly, a debit has been recognised directly in equity, within a merger reserve. The merger reserve is neither realised nor unrealised at the date of the transfer. It is amortised over a period of seven years.

#### 1.8 Goodwill

Goodwill on business combinations is initially measured at cost being the excess of the cost of the business combination over the interest in the net fair value of the identifiable net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired.

#### 1.9 Intangible assets other than goodwill

Intangible assets acquired are capitalised at cost and those identified in a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Useful lives of intangible assets are assessed on acquisition to be either indefinite or finite. Amortisation is charged as appropriate on those intangibles with finite lives, while those with indefinite lives are tested for impairment.

Software is amortised on a straight-line basis over the expected useful life which ranges from three to six years.

Amortisation is recognised within administrative expenses in the income statement.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.10 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Lease term, unless useful life is shorter
Fixtures and fittings	3 to 5 years straight line
Plant and equipment	3 to 5 years straight line
Computers	4 years straight line
Motor vehicles	5 years straight line

Depreciation is recognised within administrative expenses in the income statement.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement within administrative expenses.

#### 1.11 Non-current investments

Investments in subsidiary undertakings are recorded at cost less any provision for impairment. At each reporting date, the Company assesses whether there are any indicators that its investments are impaired. If there are indicators, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary, using a value in use model, and its carrying value, and then recognises the loss within the Income Statement.

Income from investments is recorded when the right to receive dividends is established.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity to obtain benefits from its activities.

#### 1.12 Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures, which is determined in accordance with IFRS 11, based on the rights and obligations arising from contractual obligations between the parties to the arrangements.

The interests in joint arrangements that are classified as joint operations are accounted for by the Company recording its pro rata share of the assets, liabilities, revenues, costs and cash flows using the most recent financial statements of the joint arrangements available.

The interests in joint arrangements that are classified as joint ventures are accounted for using the equity method.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.13 Impairment of tangible and intangible assets

At each reporting end date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

#### 1.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.15 Financial instruments

The table below summarises the classification and measurement of the Company's financial instruments accounted for under IFRS 9:

##### Classification and measurement

##### IFRS 9

##### Assets

Cash	Amortised cost
Trade receivables, other receivables, amounts due from fellow group entities, amounts due from associates	Amortised cost
Derivatives	Fair value through profit or loss (FVTPL)

##### Liabilities

Accounts payable and accrued liabilities, excluding provisions	Amortised cost
Long-term debt (including current portion)	Amortised cost
Other financial liabilities (long and short-term)	Amortised cost
Derivatives	Fair value through profit or loss (FVTPL)

IFRS 9 Financial Instruments uses a single approach to determine whether a financial asset is classified and measured at amortised cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset.

##### Impairment of financial assets

The Company uses a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and amounts due from fellow Group undertakings (trading and funding).

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets related to costs and anticipated profits in excess of billings have substantially all the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In determining the loss allowance based on lifetime expected credit losses, the Company uses its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Forward-looking factors include credit ratings (where available), actual or expected significant adverse changes in business, financial or economic conditions and actual or expected significant changes in the operating results of the debtor.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, such as where a debtor fails to engage in a repayment plan with the Company. When financial assets are written off, the Company continues to seek recovery of the debt. Where recovery is successful, this is recognised in profit or loss.

#### *Determination of Fair Value*

The fair value of a financial instrument is the amount of consideration that would be agreed to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market inputs and minimising the use of unobservable inputs.

#### *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### **Financial liabilities**

Financial liabilities are initially recognised at fair value, and their subsequent measurements are dependent on their classification.

Financial liabilities (excluding derivatives) are derecognised when the obligation specified in the contract is discarded, cancelled or expired.

### 1.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on 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 and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.17 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### 1.18 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.19 Retirement benefits

##### Defined contribution scheme

The Company maintains a defined contribution scheme and contributions are charged as an expense as they fall due. In addition, the Company operates defined benefit schemes which require contributions to be made to separately administered funds.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### Defined benefit schemes

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

#### Insurance buy-in

In December 2022, three of the UK defined benefit pension schemes purchased an insurance buy-in policy with an insurance company covering £26.3m of UK pension liabilities which is approximately a quarter of the pension portfolio. The buy-in policies transfer the longevity, market, interest and inflation risk to the insurers and reduces the pension risks being underwritten by the Group. The Company paid an upfront premium of £1.75m and expects to make no further payments to the schemes. The premium paid represents a plan asset, initially recognised at the value of the premium paid and immediately remeasured to fair value through OCI, which is equal to the defined benefit obligation, yielding a nil defined benefit surplus/deficit on the balance sheet.

### 1.20 Leases

The Company leases property, plant and equipment. Rental contracts are negotiated individually and have a range of initial terms. Termination options are included in a number of property leases. The majority of termination options held are exercisable by the Company and not by the respective lessor. A large number of the property leases also benefit from the terms of the Landlord and Tenant Act 1954 which allows commercial leases to be extended or renewed on expiry; under this Act, the Company as tenant always has the option to end the lease if they wish rather than to extend or renew it.

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within non-current assets, separately from property, plant and equipment.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Depreciation is recognised within administrative expenses in the income statement. The estimated useful lives of right-of-use assets are determined with reference to the lease term, or break clause if intended to exercise, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A right of use asset is subject to impairment when the carrying value of the right-of-use asset exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The Company assesses at each reporting date, whether there is an indication that the asset may be impaired. If any indication exists the company estimates the asset's recoverable amount.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the Company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease. Interest expense associated with leases is recognised within cashflow from operating activities.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the Company's estimate of the amount expected to be payable under a residual value guarantee; or the Company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

#### 1.21 Comparatives

Certain comparative information was amended in these financial statements to conform to the current year presentation. These amendments do not impact the Company's financial result and do not have any significant impact on the Company's statement of financial position.

#### 1.22 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included within administrative expenses in the income statement.

#### 1.23 Research and development

Costs incurred while carrying out research and development work are charged to the Income Statement, in particular within costs of sales.



# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.24 Dividends

Dividends receivable are recorded as other income when the Company's right to receive payment is established. Dividend distributions to the Company's shareholder are recognised as a liability in the Company's financial statements in the year in which the dividends are approved.

#### 1.25 Capital management

The Company's objectives when managing capital are to maintain a flexible capital structure that optimises the cost and availability of capital at acceptable risk and to manage capital in a manner that considers the interests of equity and debt holders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its shareholder, return capital to its shareholder, issue new shares or sell assets to reduce debt.

At 31 December 2022 and 31 December 2021 all financial liabilities were denominated in Sterling and were repayable on demand.

The Company has no significant concentrations of credit risk. The Company has implemented policies that require appropriate credit checks on potential customers before work commences.

In accordance with IFRS, the Company has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements. No such arrangements have been identified.

The Company is not subject to any externally imposed capital requirements.

### 2 Adoption of new and revised standards and changes in accounting policies

#### New accounting standards, amendments and interpretations adopted by the Company

The following amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of the Company. These new amendments and interpretations are:

#### Amendments to IAS 37: Onerous Contracts - Costs of Fulfilling a Contract

An onerous contract is a contract under which the unavoidable cost of meeting the obligations under the contract costs (i.e. the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company applied the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period. This did not have a significant impact on the Company as the Company has not identified any significant contracts as being onerous.

#### Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 2 Adoption of new and revised standards and changes in accounting policies

(Continued)

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify existing guidance for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

#### Standards which are in issue but not yet effective

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

At the date of authorisation of these financial statements, the following Amendments, Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

Amendments to IAS 1	Presentation of Financial Statements
Amendments to IFRS Practice Statement 2	Making Materiality Judgements
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to IAS 12	Income Taxes
New standard IFRS 17	Insurance Contracts

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. They are not expected to have a significant impact on the Company's financial statements.

#### Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2 Adoption of new and revised standards and changes in accounting policies**

**(Continued)**

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements.

**Amendments to IAS 8: Definition of Accounting Estimates**

In February 2021, the IASB issued amendments to IAS 8 to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. They are not expected to have a significant impact on the Company's financial statements.

**Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. They are not expected to have a significant impact on the Company's financial statements.

**New standard: IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 2 Adoption of new and revised standards and changes in accounting policies

(Continued)

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

At the date of authorisation of these financial statements, there are no other standards, that are not yet effective, that would be expected to have a material impact on the Company in the current or future reporting periods.

### 3 Significant accounting estimates, judgements and assumptions

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

#### **Estimates and assumptions**

##### ***Revenue recognition***

Most of the Company's revenues come from fixed price contracts and time & material contracts.

##### ***Fixed price contracts***

The business has a large number of fixed price long-term contracts which are accounted for in accordance with IFRS 15 and require estimates to be made for contract revenue. These contracts do not typically generate individually material revenue however they are material in aggregate. Contract revenues are affected by uncertainties that depend on the outcome of future events.

At the end of the reporting period, the business estimates the cost to complete on fixed price contracts based on the remaining work to be completed after the reporting date. In some cases, this work will extend to more than one future reporting period. This involves an assessment of the project progress to date, versus the contract scope, and an evaluation of the work to be performed to complete the contract and the associated cost of that work, including any cost contingencies. There is uncertainty around the estimates to complete that depend on the outcome of future events and so these estimates are revised throughout the year, as circumstances change. The range of projects and the variety of factors mean that it is not possible to present these sensitivities, which apply across a large number of individual immaterial projects.

It is possible that these estimates, in aggregate, could have a material impact on revenue, cost of sales and gross amounts due from customers.

A contingency reserve, which is time allocated in the project schedule, or money allocated in the project cost budget, may be recognised for identified risks. This risk identification and determination of associated quantum requires judgement and its establishment and release of any amounts is done in accordance with the relevant Delegation of Authority.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3 Significant accounting estimates, judgements and assumptions**

**(Continued)**

*Time & material contracts*

The business has a large number of time & material contracts (or variable fee contracts) where the fee is not fixed but may change based on the requirements of the client, scope of work, the effort required and negotiated rates. Time & material contracts are not individually significant but are significant in aggregate.

Some of the Company's time & material contracts include pain/gain mechanisms and/or key performance indicator incentives, which require estimation by management to determine the most likely outcome.

Other than contracts with pain/gain mechanisms and/or key performance indicator incentives, the level of estimation uncertainty associated with time & material contracts is lower than a fixed-fee project as the Company invoices for the time and expense that has been incurred. Whilst remaining work required to fulfil the contract is estimated, as it is with fixed fee contracts, the fee/revenue associated with the remaining work is based on the negotiated rates and so is less affected by the outcome of future events. Where forecast cost to complete is below actual cost to complete, the nature of the contracts allows full recovery of the under-forecast effort.

A contingency reserve is established where the Company assesses that there may be rework which cannot be invoiced, or where the time & material contract could contain a fee cap or a pain/gain clause.

*Revenue recognition for variation orders*

A contract modification (such as a change order, a variation or amendment) is a change in the scope or price (or both) of a contract, that is approved by the parties to the contract. The impact on revenue of a contract modification is only recognised when it has been approved by the client.

For fixed fee projects, the value of the change order is agreed with the client and added to the project fee, at which point revenue is recognised in line with IFRS15.

For time & material contracts, the scope of work and effort required is agreed with the client, with revenue being earned at the negotiated rates as the effort is expended.

*Contract assets*

The Company values its contract assets based on the time cost and materials charged to each project and anticipated future costs and total fee. On a monthly basis, management reviews the amount recognised as contract assets to determine whether it is recoverable and in line with progress on the project. Changes in the estimate of work required to complete the projects could lead to an adjustment to the timing of revenue recognition and the current value of the contract asset.

***Provision for expected credit loss of trade receivables and contract assets***

The Company uses a provision matrix to calculate expected credit loss ("ECL") for trade receivables and contract assets. The provision matrix is based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of default of invoice settlement, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 3 Significant accounting estimates, judgements and assumptions

(Continued)

#### **Business combinations and goodwill**

The company has goodwill of £112,849,000 (2021: £109,778,000). The goodwill arises from business combinations and the company applies the acquisition method of accounting for these transactions. In performing the annual obligatory impairment test, management use significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital. If results differ significantly from estimates, an impairment of goodwill may be required. An assessment of whether a reasonably possible change in assumptions could give rise to an impairment as at the balance sheet date has concluded that no impairment is required. Further information is provided in note 16.

#### **Retirement benefit obligations**

The present value of the pension obligation is determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further information is provided in note 31.

#### **Judgements**

##### **Leases - determining the lease term of contracts with renewal and termination options**

The Company has several lease contracts that include extension and termination options. The Company uses judgement to establish the lease term based on the conditions of the lease and whether it is reasonably certain that it will exercise any extension or termination options. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

### 4 Revenue

An analysis of the Company's revenue is as follows:

	2022 £'000	2021 £'000
<b>Revenue analysed by class of business</b>		
Principal activity	736,656	636,361
	<u>736,656</u>	<u>636,361</u>
	2022 £'000	2021 £'000
<b>Timing of revenue recognition</b>		
At a point in time	-	-
Over time	736,656	636,361
	<u>736,656</u>	<u>636,361</u>

The Company's revenue is disaggregated by market sector and geography. The Company's main market sectors, for purposes of note disclosure required by IFRS 15 Revenue from Contracts with Customers are engineering consultancy services in the sectors as follows: Central, Transport & Infrastructure, Property & Buildings, Planning & Advisory and Water, Energy & Industry. The Company earns revenue in the following geographical regions: the United Kingdom, the Rest of Europe, the Middle East, Africa, the Rest of Asia, Oceania, North America and South America.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 4 Revenue

(Continued)

	2022 £'000	2021 £'000
<b>Revenue analysed by sector</b>		
Transport & Infrastructure	283,754	286,375
Planning & Advisory	182,012	199,925
Property & Buildings	107,096	80,929
Water, Energy & Industry	163,794	69,132
Central	-	-
	<u>736,656</u>	<u>636,361</u>

	2022 £'000	2021 £'000
<b>Revenue analysed by geographical market</b>		
United Kingdom	669,561	593,866
Rest of Europe	27,217	14,890
Middle East	15,510	10,483
Africa	9,121	6,245
Rest of Asia	4,170	2,710
Oceania	3,394	1,172
North America	3,948	3,491
South America	3,735	3,504
	<u>736,656</u>	<u>636,361</u>

### 5 Unfulfilled performance obligations

Unfulfilled performance obligations represent the Company's remaining contractual obligations related to cost-plus contracts with ceilings and fixed price contracts on which work has commenced as at 31 December 2022. Cost-plus contracts without stated ceilings have been excluded as the full amount of the contracted work cannot be definitively assessed.

Contract execution timing is subject to many factors outside of the Company's control. Project scope changes, client-driven timelines and project financing are just a few examples of such factors. The company's best estimate with regards to the unwinding of its 31 December 2022 unfulfilled performance obligations is:

	2022 £'000	2021 £'000
Within one year	212,114	142,687
More than one year	92,746	46,141
	<u>304,860</u>	<u>188,828</u>

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 6 Dividend income

Dividend income was received from the following companies:

	2022 £'000	2021 £'000
Parsons Brinckerhoff Ltd	2,000	-
WSP European Holdings Limited	5,900	-
WSP Management Consultants Limited	3,400	-
Golder Associates (UK) Limited	3,600	-
Network Information Services Limited	-	813
WSP UK Water Services Limited	-	856
	<u>14,900</u>	<u>1,669</u>

Dividend income comprises in specie dividend income of £12,900,000 (2021: £856,000) and cash dividend income of £2,000,000 (2021: £813,000).

### 7 Administrative expenses

Administrative expenses comprise:

	2022 £'000	2021 £'000
Property costs	35,551	31,604
Equipment and communication costs	21,424	17,477
Operational staff costs	11,660	6,081
Legal and professional costs	14,917	12,722
Group management income	(220)	(3,342)
Recognition/(reversal) of expected credit loss on trade receivables	7,382	(2,126)
Other costs	4,733	4,748
	<u>95,447</u>	<u>67,164</u>



# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 8 Operating profit

	2022 £'000	2021 £'000
Operating profit for the year is stated after charging/crediting:		
Exchange (gains)/losses	(576)	206
Fees payable to the Company's auditor for the audit of the Company's financial statements	669	633
Fees payable to the Company's auditor for the audit of the financial statements of the Company's fellow group undertakings	128	165
Fees payable to the Company's auditor for non-audit services	4	-
Depreciation of property, plant and equipment	5,809	5,863
Depreciation of right-of-use asset	15,363	14,156
Amortisation of intangible assets	3,266	2,025
Short term and low value leases	1,977	685
Research and development expenditure credit	(5,257)	(2,592)
Recognition/(reversal) of expected credit loss on trade receivables	(4,303)	(2,126)
Intercompany expected credit loss provision	11,685	-

An exercise will be carried out to identify the qualifying research and development costs included in operating profit and submitted to HMRC for inclusion in the calculation of the tax liability.

The intercompany expected credit loss provision arises on a funding receivable due from a fellow group entity. The Company has assessed the probability of default and the probability of loss and concluded that a provision of £11,685,000 (2021: £nil) is appropriate.

### 9 Employee benefit costs

The average monthly number of persons (including directors) employed by the Company during the year was:

	2022 Number	2021 Number
Technical	7,080	6,489
Management & administration	348	326
	<u>7,428</u>	<u>6,815</u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	385,756	333,141
Social security costs	41,943	35,196
Termination benefits	619	200
Other pension costs - defined contribution	18,483	16,086
	<u>446,801</u>	<u>384,623</u>

Administrative expenses include pension costs relating to defined benefit schemes of £595,000 (2021: £512,000).

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 10 Directors' remuneration

	2022 £'000	2021 £'000
Short term employment benefits	2,582	1,972
Amounts receivable under long term incentive schemes	1,373	2,247
Post-employment benefits	18	-
Termination benefits	-	200
	<u>3,973</u>	<u>4,419</u>

The short term employment benefits of the highest paid director were £1,184,000 (2021: £891,000). Defined contribution pension payments of £nil (2021: £nil) were made on behalf of the highest paid director. Post-employment benefits of £nil (2021: £nil) were paid to the highest paid director.

The highest paid director received amounts under long term incentive schemes of £756,000 (2021: £918,000). The highest paid director was granted share options in WSP Global Inc. with a value of £191,000 (2021: £130,000) and earned a gain on the exercise of share options of £nil (2021: £734,000).

The Board of Directors considers the directors to be the Key Management Personnel of the Company.

### 11 Other income

	2022 £'000	2021 £'000
R&D tax credits	5,257	2,592
Intercompany loan waivers	1,798	-
Other income	14	11
	<u>7,069</u>	<u>2,603</u>

### 12 Finance costs

	2022 £'000	2021 £'000
Interest on lease liabilities	1,888	2,196
Interest payable to Group undertakings	3,263	5,360
Net interest on net defined benefit liability	78	229
Other interest payable	175	196
Total interest expense	<u>5,404</u>	<u>7,981</u>

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 12 Finance costs

(Continued)

Interest on lease liabilities is split between intercompany and third party lessors as follows:

	2022 £'000	2021 £'000
Interest on lease liabilities - third party	451	463
Interest on lease liabilities - intercompany	1,437	1,733
	<u>1,888</u>	<u>2,196</u>

### 13 Income tax expense

	2022 £'000	2021 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current year	4,631	1,672
Group relief payable	767	1,037
Adjustments in respect of prior years	(120)	138
<b>Total UK current tax</b>	<u>5,278</u>	<u>2,847</u>
Overseas tax payable	40	49
<b>Total current tax</b>	<u>5,318</u>	<u>2,896</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	3,483	4,637
Adjustment in respect of prior years	(201)	(563)
Change in tax rates	(1,069)	(1,945)
	<u>2,213</u>	<u>2,129</u>
<b>Total tax charge</b>	<u>7,531</u>	<u>5,025</u>

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 13 Income tax expense

(Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2022 £'000	2021 £'000
Profit before taxation	45,653	41,423
Expected tax charge based on a corporation tax rate of 19% (2021: 19%)	8,674	7,870
Effect of expenses not deductible in determining taxable profit	4,766	548
Income not taxable	-	(828)
Group relief claimed	(1,051)	-
Group relief payable	767	-
Unrecognised deferred tax	(15)	-
Adjustment in respect of prior years - current tax	(120)	138
Effect of change in UK corporation tax rate	(1,069)	(1,945)
Group income	(2,831)	(317)
Adjustments in respect of prior years - deferred tax	(201)	(563)
Overseas tax	40	49
Transfers - deferred tax	(1,429)	-
Fair value adjustments	-	73
<b>Taxation charge for the year</b>	<b>7,531</b>	<b>5,025</b>

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £'000	2021 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	73	882

The Company's profits for this accounting year are taxed at a standard rate of 19% (2021: 19%).

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14	Dividends paid	2022 amount per share	2021 amount per share	2022 £'000	2021 £'000
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Amounts recognised as distributions to equity holders:

### Ordinary

Dividend paid	-	22,543.82	-	50,160
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## 15 Acquisitions of trade and assets

On 1 January 2022, the Company acquired certain trade and assets from Golder Associates (UK) Limited, a fellow group entity, as part of a group restructuring process.

Consideration for the acquisition was £4,200,000.

The final fair values of the identifiable assets and liabilities are:

	Final fair value £'000
Intangible assets	30
Property, plant and equipment	134
Trade and other receivables	8,476
Cash and cash equivalents	558
Deferred tax	(54)
Other provisions	(95)
Trade and other payables	(7,920)
Total identifiable net assets at fair value	1,129
Consideration	4,200
Goodwill arising on acquisition	3,071

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 16 Goodwill and intangible assets

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2021	112,210	5,529	117,739
Additions	-	2,339	2,339
Disposals	-	(888)	(888)
At 31 December 2021	112,210	6,980	119,190
Additions	3,071	1,893	4,964
Disposals	-	(3,122)	(3,122)
Acquired	-	30	30
At 31 December 2022	115,281	5,781	121,062
<b>Accumulated amortisation</b>			
At 1 January 2021	2,432	1,667	4,099
Charge for the year	-	2,025	2,025
Eliminated on disposals	-	(888)	(888)
At 31 December 2021	2,432	2,804	5,236
Charge for the year	-	3,266	3,266
Eliminated on disposals	-	(3,122)	(3,122)
At 31 December 2022	2,432	2,948	5,380
<b>Carrying amount</b>			
At 31 December 2022	112,849	2,833	115,682
At 31 December 2021	109,778	4,176	113,954

Amortisation of intangible assets is included within administrative expenses in the Income Statement.

#### Impairment test of goodwill

Goodwill arises from acquisitions of trade and assets from fellow Group entities, which have each been accounted for as a business combination under IFRS 3 Business Combinations.

For the purpose of impairment testing, the goodwill arising in these business combinations was, at the acquisition date, allocated to the Company's cash generating unit that is expected to benefit from the combinations. Management has determined that WSP UK Limited has one cash generating unit.

The Company performed its annual impairment test in December 2022. The recoverable amounts of the cash generating unit ("CGU") were determined based on value in use calculations. The cash flow projections used in these calculations were based on the following key data and assumptions:

- (a) Budgeted revenue and profit before tax for 2023 (2022 budgeted figures for the test performed in 2021) as agreed by the Board is used as the basis for determining cash flows;
- (b) Cash flows were projected forward for the CGU having regard to its relative markets and risk profiles. A growth factor of 2.00% (2021: 2.00%) was applied which was projected over 5 years and then subject to a 2% (2021: 2%) terminal value calculation.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 16 Goodwill and intangible assets

(Continued)

(c) Maintaining margins at 2023 budgeted levels, unless any restructuring activity already in place suggests cost savings and margin improvements are appropriate.

(d) Applying the discount rate of 14.40% (2021: 13.43%). The discount rate used in the calculations is the pre-tax weighted average cost of capital of the Company.

(e) Sensitivity analysis is performed on the discount rate and growth rate to identify the level of headroom in the calculation. No reasonably possible change (either individually or in combination) in any of the key assumptions used in calculating the value in use would have caused the recoverable amount of the CGU to equal its respective carrying amount as at 31 December 2022.

Based on the testing performed, the Directors did not identify an impairment as at 31 December 2022 (31 December 2021: no impairment required).

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 17 Property, plant and equipment

	Leasehold improvements	Plant and equipment	Computers	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2021	1,851	7,722	12,625	14	22,212
Additions	-	2,137	3,986	-	6,123
Disposals	(305)	(986)	(3,819)	-	(5,110)
At 31 December 2021	1,546	8,873	12,792	14	23,225
Additions	-	1,274	5,944	-	7,218
Acquisition	-	50	84	-	134
Disposals	(575)	(1,051)	(7,550)	(14)	(9,190)
At 31 December 2022	971	9,146	11,270	-	21,387
<b>Accumulated depreciation</b>					
At 1 January 2021	192	282	4,098	14	4,586
Charge for the year	446	1,289	4,128	-	5,863
Eliminated on disposal	(305)	(940)	(3,819)	-	(5,064)
At 31 December 2021	333	631	4,407	14	5,385
Charge for the year	313	1,397	4,099	-	5,809
Eliminated on disposal	(616)	(1,022)	(7,473)	(14)	(9,125)
At 31 December 2022	30	1,006	1,033	-	2,069
<b>Carrying amount</b>					
At 31 December 2022	941	8,140	10,237	-	19,318
At 31 December 2021	1,213	8,242	8,385	-	17,840



# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 18 Investments

	2022 £'000	2021 £'000
Investments in subsidiaries	71,403	25,002
	<u>71,403</u>	<u>25,002</u>

On 21 September 2022, the Company issued a capital contribution of £40,019,000 to its subsidiary, WSP European Holdings Limited, in return for 100 shares.

On 22 September 2022, the Company acquired 100% of the share capital of WSP (Real Estate and Infrastructure) Limited (previously known as Capita (Real Estate and Infrastructure) Limited). Consideration paid was £2,814,000.

On 22 September 2022, the Company acquired 100% of the share capital of G L Hearn Limited. Consideration paid was £16,379,000.

In the current year, following a Group restructuring, the Company impaired its investment in WSP Management Consultants Limited from £3,311,000 to £nil, its investment in WSP European Holdings Limited from £55,328,000 to £49,428,000 and its investment in Golder Associates (UK) Limited from £4,200,000 to £600,000. These impairments were recognised as a result of receiving dividends from the respective companies of the same amount and followed an impairment assessment of the carrying value of the investment after receipt of these dividends.

In the prior year, following a Group restructuring, the Company impaired its investments in WSP UK Water Services Limited from £856,000 to £nil. On 14 August 2021, WSP UK Water Services Limited was dissolved. In the prior year, following an impairment test of the carrying amount of its investments, the Company impaired its investment in WSP European Holdings Limited by £218,000. The Company also performed an impairment test of its investment in Network Information Services Limited and impaired its investment in this joint venture from £530,000 to £nil.

In the prior year, on 15 April 2021, the Company acquired 100% of the share capital of Opus International Consultants (UK) Limited from a related party. Consideration paid was £1.

In the prior year on 8 June 2021, the Company acquired 100% of the share capital of Golder Associates (UK) Limited from a related party. Consideration paid was £4,200,000.

In the prior year on 22 September 2021, the Company issued a capital contribution of £3,660,000 to its subsidiary, WSP European Holdings Limited, in exchange for one share.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 18 Investments

(Continued)

#### Movements in non-current investments

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
<b>Cost</b>			
At 1 January 2021	190,828	1,031	191,859
Additions	7,859	-	7,859
At 31 December 2021	198,687	1,031	199,718
Additions	59,212	-	59,212
At 31 December 2022	257,899	1,031	258,930
<b>Impairment</b>			
At 1 January 2021	(172,611)	(501)	(173,112)
Impairment	(1,074)	(530)	(1,604)
At 31 December 2021	(173,685)	(1,031)	(174,716)
Impairment	(12,811)	-	(12,811)
At 31 December 2022	(186,496)	(1,031)	(187,527)
<b>Carrying amount</b>			
At 31 December 2022	71,403	-	71,403
At 31 December 2021	25,002	-	25,002

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 19 Subsidiaries

Details of the Company's subsidiaries at 31 December 2022 and 31 December 2021 are as follows:

Name of undertaking	Registered office and country of incorporation	Ownership interest (%)	Ownership interest (%)	Nature of business
		2022	2021	
G L Hearn Limited*	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100	-	Property advisory services
WSP (Real Estate and Infrastructure) Limited*	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100	-	Consulting engineers
Parsons Brinckerhoff Ltd	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100	100	Consulting engineers
WSP European Holdings Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100	100	Holding company
WSP Management Services Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100	100	Provision of property leasing services
WSP Management Consultants Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100	100	Consulting engineers
Golder Associates (UK) Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100	100	Consulting services
Opus International Consultants (UK) Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100	100	Provision of property leasing services

\*Acquired on 22 September 2022.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 20 Joint arrangements

Details of the Company's joint arrangements at 31 December 2022 and 31 December 2021 are as follows:

Name of undertaking	Country of incorporation	Ownership interest (%)	Nature of business
Network Information Services Limited	England and Wales	50.00	Non-trading
Kier WSP	N/a - unincorporated joint operation	50.00	Professional and technical consultancy
Hyder WSP	N/a - unincorporated joint operation	50.00	Professional and technical consultancy
Scotland Transerv	N/a - unincorporated joint operation	30.00	Professional and technical consultancy
Mouchel Fairhurst	N/a - unincorporated joint operation	50.00	Professional and technical consultancy
Mouchel Atkins	N/a - unincorporated joint operation	50.00	Professional and technical consultancy
Opus Arup	N/a - unincorporated joint operation	50.00	Professional and technical consultancy
Medic OUH I/S	Denmark	16.67	Professional and technical consultancy
Projektgruppen Akutcenter Viborg ApS	Denmark	10.00	Professional and technical consultancy
Ramboll WSP	N/a - unincorporated joint operation	70.00	Professional and technical consultancy
MWJV	N/a - unincorporated joint operation	50.00	Professional and technical consultancy
MWJV - EWR	N/a - unincorporated joint operation	50.00	Professional and technical consultancy
Atkins WSP	N/a - unincorporated joint operation	50.00	Professional and technical consultancy

All unincorporated joint arrangements operate in the United Kingdom.

The investments in Network Information Services Limited, Medic OUH I/S and Projektgruppen Akutcenter Viborg ApS are accounted for as joint ventures and are equity accounted. The results of these companies are not material to the Company and have not been presented.

All other joint arrangements are accounted for as joint operations and their results are proportionately consolidated in the Company's financial statements.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 21 Right-of-use asset

The carrying amounts of right-of-use assets recognised and movements during the year are as follows:

	Motor vehicles	Property	Total
	£'000	£'000	£'000
At 1 January 2021	2,532	74,420	76,952
Additions	1,427	216	1,643
Modifications and remeasurements	-	(6,306)	(6,306)
Depreciation	(1,252)	(12,904)	(14,156)
Impairment	-	(209)	(209)
Disposals	-	(785)	(785)
At 31 December 2021	2,707	54,432	57,139
Additions	2,430	7,405	9,835
Modifications and remeasurements	-	3,953	3,953
Depreciation	(2,556)	(12,807)	(15,363)
Impairment	-	(580)	(580)
Disposals	-	-	-
At 31 December 2022	2,581	52,403	54,984
Amounts recognised in profit or loss include the following:		2022 £'000	2021 £'000
Depreciation		(15,363)	(14,156)

With effect from 1 April 2020, the Company subleases property leases from WSP Management Services Limited, a subsidiary of the Company and WSP Group Limited, an indirect parent of the Company.

### 22 Contracts with customers

	2022 £'000	2021 £'000
<b>Contracts in progress at the reporting end date</b>		
Amounts owed by contract customers included in trade and other receivables	54,377	42,838
Amounts owed to contract customers included in trade and other payables	(49,870)	(49,401)
	4,507	(6,563)

Amounts owed by contract customers included in trade and other receivables are contract assets relating to revenue earned from ongoing engineering consultancy service contracts. As such, the balances of this account vary and depend on the number of ongoing service contracts at the end of the year. At 31 December 2022, the Company had contract assets of £54,377,000 (31 December 2021: £42,496,000) which is net of an allowance for expected credit loss of £3,707,000 (31 December 2021: £8,787,000).

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 22 Contracts with customers

(Continued)

Amounts owed to contract customers included in trade and other payables are contract liabilities relating to payments in advances received from customers or invoices issued to customers prior to the rendering of services. The outstanding balance of these accounts increased in 2022 from 2021 due to the continuous increase in the Company's customer base.

#### Movements in the allowances for expected credit losses of contract assets

	2022 £'000	2021 £'000
As at 1 January	8,787	10,195
Provision for expected credit losses	1,943	6,556
Acquired through acquisition	-	-
Utilised	(4,213)	(835)
Released	(2,810)	(7,129)
As at 31 December	3,707	8,787

	2022 £'000	2021 £'000
<b>Contract revenues recognised</b>		
Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year	44,906	39,355
Revenue recognised in the reporting year from performance obligations satisfied (or partially satisfied) in previous years	276,037	244,589

### 23 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	80,205	78,305
Allowance for expected credit losses	(3,119)	(7,535)
	77,086	70,770
Contract assets	54,377	42,838
Other receivables	8,459	4,667
Amounts due from fellow Group undertakings - trading	9,294	6,099
Amounts due from fellow Group undertakings - funding	54,297	34,395
Prepayments and accrued income	10,846	10,553
	214,359	169,322

Amounts due from fellow Group undertakings - funding includes a loan of £50,510,000 due from WSP (Real Estate & Infrastructure) Limited, a subsidiary of the company. This loan incurred interest of 4.75% per annum. On 1 July 2023, this loan was extinguished via the acquisition of trade and assets from WSP (Real Estate & Infrastructure) Limited.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 23 Trade and other receivables

(Continued)

Interest on the remaining funding balances between companies within the Group is charged at 2.5% + Bank of England base rate at the time of issuing the loan (2021: 2.5% + Bank of England base rate at the time of issuing the loan). Interest is not charged on trading balances between companies within the Group.

The balances are unsecured and repayable on demand.

Amounts due from fellow Group undertakings - funding includes a provision for expected loss of £11,685,000 (2021: £nil).

### 24 Trade receivables - credit risk

In applying the simplified approach to measuring expected credit losses, the Company does not track changes in credit risk and therefore does not assign credit risk rating grades to trade receivables. The Company does track the ageing of gross trade receivables past due, which was as follows:

	2022	2021
	£'000	£'000
Current	54,960	55,694
Past due 0-30 days	14,404	13,306
Past due 31-60 days	4,524	3,854
Past due 61-90 days	2,566	972
Past due 90-180 days	2,326	905
Past due over 180 days	1,426	3,574
	<u>80,205</u>	<u>78,305</u>
Allowance for expected credit loss	(3,119)	(7,535)
	<u>77,086</u>	<u>70,770</u>

The Company is exposed to credit risk with respect to its trade receivables and maintains provisions for potential credit losses. Potential for such losses is mitigated because customer creditworthiness is evaluated before credit is extended and no single customer represents more than 10% of revenues.

The other classes within trade and other receivables do not contain impaired assets.

The Company does not have any significant receivables in currencies other than GBP.

#### Movement in the allowances for expected credit losses of trade receivables

	2022	2021
	£'000	£'000
Provision at 1 January	7,535	12,574
Acquired through acquisition	145	-
Released	(5,622)	(3,451)
Provisions utilised in the year	(1,125)	(2,913)
Increase in provisions in the year	2,186	1,325
	<u>3,119</u>	<u>7,535</u>

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 25 Borrowings

	2022 £'000	2021 £'000
<b>Non-current borrowings</b>		
Loan from a fellow Group undertaking	-	50,000

#### Analysis of borrowings

The table below sets out the contractual maturities (representing undiscounted contractual cash flows) of borrowings as at the balance sheet date

	2022 £'000	2021 £'000
Within 1 year	-	3,500
Between 1 year and 5 years	-	56,233
More than 5 years	-	-
	-	59,733

The loan from a fellow Group undertaking was a loan from WSP Luxembourg Sarl, a fellow Group entity. Interest was charged at 7% per annum and the loan is repayable on 12 October 2024. The loan was repaid on 19 October 2022. In the year ended 31 December 2022, interest expense of £2,792,000 (2021: £3,500,000) was incurred on this loan.

### 26 Trade and other payables

	2022 £'000	2021 £'000
Trade payables	20,348	19,916
Contract liabilities	49,870	49,401
Amounts due to fellow Group undertakings - trading	8,131	3,575
Amounts due to fellow Group undertakings - funding	20,471	17,990
<b>Accruals</b>	<b>43,439</b>	<b>35,752</b>
Social security and other taxation	19,638	18,110
Other payables	4,800	2,481
	166,697	147,225

Interest on funding balances between companies within the Group is charged at 2.5% + Bank of England base rate (2021: 2.5% + Bank of England base rate). Interest is not charged on trading balances between companies within the Group.

The balances are unsecured and are repayable on demand.



# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 26 Trade and other payables

(Continued)

Contractual maturity of trade and other payables:

	At 31 December 2022		
	Up to 1 year	Between 1 year & 5 years	More than 5 years
	£'000	£'000	£'000
Trade payables	20,348	-	-
Amounts due to fellow Group undertakings - trading	8,131	-	-
Amounts due to fellow Group undertakings - funding	20,471	-	-
	<u>48,950</u>	<u>-</u>	<u>-</u>

	At 31 December 2021		
	Up to 1 year	Between 1 year & 5 years	More than 5 years
	£'000	£'000	£'000
Trade payables	19,916	-	-
Amounts due to fellow Group undertakings - trading	3,575	-	-
Amounts due to fellow Group undertakings - funding	17,990	-	-
	<u>41,481</u>	<u>-</u>	<u>-</u>

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 27 Financial liabilities

Changes in liabilities arising from financing activities are presented in the following tables.

#### 2022

	At 1 January 2022	Cashflows	Non-cash loan creation/(settle ment)	Dividend in specie	At 31 December 2022
	£'000	£'000	£'000	£'000	£'000
Borrowings	50,000	(50,000)	-	-	-
Amounts due to fellow group undertakings - funding	17,990	11,181	4,200	(12,900)	20,471
	<u>67,990</u>	<u>(38,819)</u>	<u>4,200</u>	<u>(12,900)</u>	<u>20,471</u>

#### 2021

	At 1 January 2021	Cashflows	Non-cash loan creation/(settle ment)	Dividend in specie	At 31 December 2021
	£'000	£'000	£'000	£'000	£'000
Borrowings	50,000	-	-	-	50,000
Amounts due to fellow group undertakings - funding	67,655	(48,809)	-	(856)	17,990
	<u>117,655</u>	<u>(48,809)</u>	<u>-</u>	<u>(856)</u>	<u>67,990</u>

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 28 Deferred tax asset

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting year.

	ACAs	Tax losses	Retirement benefit obligations	Other	Total
	£'000	£'000	£'000	£'000	£'000
Deferred tax asset at 1 January 2021	9,175	5,330	4,235	269	19,009
<b>Deferred tax movements in prior year</b>					
Charge to income	(1,340)	(1,973)	(1,251)	(73)	(4,637)
Effect of change in tax rate	1,259	595	91	-	1,945
Credit direct to equity	-	-	(882)	-	(882)
Prior year adjustments	138	408	17	-	563
Deferred tax asset at 31 December 2021	9,232	4,360	2,210	196	15,998
<b>Deferred tax movements in current year</b>					
Charge to income	(1,190)	(934)	(1,351)	(8)	(3,483)
Effect of change in tax rate	842	354	(155)	28	1,069
Credit to other comprehensive income	-	-	(73)	-	(73)
Transfer from fellow group entity	(54)	-	-	-	(54)
Prior year adjustments	(168)	393	(24)	-	201
Deferred tax asset at 31 December 2022	8,662	4,173	607	216	13,658

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

	2022 £'000	2021 £'000
Deferred tax assets	13,658	15,998

The value of deferred tax assets unprovided in relation to trading losses is £nil (2021: £nil).

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 29 Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	Motor vehicles	Property	Total
	£'000	£'000	£'000
At 1 January 2021	1,476	75,957	77,433
Additions	1,427	198	1,625
Modifications and remeasurements	-	(5,864)	(5,864)
Accretion of interest	65	2,131	2,196
Payments	(1,671)	(15,959)	(17,630)
At 31 December 2021	1,297	56,463	57,760
Additions	2,430	7,620	10,050
Modifications and remeasurements	22	2,425	2,447
Accretion of interest	64	1,823	1,887
Payments	(2,108)	(14,219)	(16,327)
At 31 December 2022	1,705	54,112	55,817

With effect from 1 April 2020, the Company subleases property leases from WSP Management Services Limited, a subsidiary of the Company and WSP Group Limited, an indirect parent of the Company.

The split of the property lease liability between intercompany and third party lessors is as follows:

	2022 £'000	2021 £'000
Lease liability payable to intercompany	39,036	47,086
Lease liability payable to third party lessors	15,076	9,377
	<u>54,112</u>	<u>56,463</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022 £'000	2021 £'000
Current liabilities	10,044	13,197
Non-current liabilities	45,773	44,563
	<u>55,817</u>	<u>57,760</u>

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 29 Lease liabilities

(Continued)

Undiscounted contractual maturity of lease liabilities:

	At 31 December 2022		
	Up to 1 year	Between 1 year & 5 years	More than 5 years
	£'000	£'000	£'000
Lease liabilities	10,520	30,193	22,093

	At 31 December 2021		
	Up to 1 year	Between 1 year & 5 years	More than 5 years
	£'000	£'000	£'000
Lease liabilities	14,410	31,837	29,901

	2022	2021
	£'000	£'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	1,888	2,196

The weighted average incremental borrowing rates applied to the lease liabilities recognised at the date of adoption of IFRS 16 Leases ranged between 1.5% - 5.4% (31 December 2021: 2.9% - 3.2%).

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 30 Provisions

	Dilapidations provisions £'000	Claims provisions £'000	Other provisions £'000	Total £'000
<b>Movement in total provisions</b>				
At 1 January 2021	2,404	6,062	3,658	12,124
Provisions increased during the year	194	3,753	4,902	8,849
Released	(560)	(1,476)	-	(2,036)
Utilised during the year	(145)	(974)	(4,027)	(5,146)
At 31 December 2021	1,893	7,365	4,533	13,791
Provisions increased during the year	712	2,825	1,837	5,374
Arising on acquisition	-	-	95	95
Released	(107)	(2,643)	-	(2,750)
Utilised during the year	(524)	(580)	(4,577)	(5,681)
At 31 December 2022	1,974	6,967	1,888	10,829
Current				2,707
Non-current				8,122
				10,829

Dilapidations provisions are associated with leasehold properties, whereby the Company has a commitment to make good the leasehold property upon exit of the lease. These costs have been capitalised as part of the Right-of-use asset and are amortised over the life of the lease.

Claims provisions relate entirely to professional indemnity ("PI") claims and have been calculated based upon the directors' best estimate of the amount that may fall due. The recognised provision reflects the directors' best estimate of the most likely outcome, up to regional cap, but the ultimate amount payable for PI claims may be different depending on the final settlement agreements. The excess of claims above the regional cap is covered by WSP Global Inc. Based on historic trends and given the nature of the items being provided against, it is management's judgement that they will largely settle within 2 to 5 years of the year end.

Other provisions mainly comprise onerous contract provisions, relating primarily to contracts where the ongoing level of unavoidable costs is not expected to be fully recovered by the economic benefits expected to be derived from using these assets, and provision for tax and other compliance costs in the Company's international branches. The expectation is that this expenditure will be incurred over the next 1-5 years.

### 31 Retirement benefit obligations

#### Defined contribution schemes

The Company operates a number of defined contribution schemes. Contributions are charged to the Income Statement as they are incurred. The total contribution for the year was £18,483,000 (2021: £16,086,000).

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 31 Retirement benefit obligations

(Continued)

#### Defined benefit scheme

The Company operates six defined benefit schemes, all of which are closed to new members and all of which are governed by the employment laws of England and Wales. The defined benefit schemes are pension arrangements in which the employer promises a specified annual benefit on retirement that is pre-determined by a formula based on the employee's earning history, tenure of service and age, rather than depending directly on individual investment returns. Assessments of the obligations of the defined benefit plans were carried out annually by independent actuaries. The assets of the schemes are held separately from those of the Company in independently administered funds. The contributions payable by the Company are guaranteed by WSP Group Limited, a parent undertaking of the Company.

The funds have the legal form of a trust and are each governed by a Sole Trustee arrangement managed by a professional independent trustee company. The Sole Trustee is responsible for the administration of the plan assets and for the definition of the investment strategy. Each year, the Trustee reviews the level of funding in the pension plans as required by the England and Wales legislation; such a review includes the asset-liability matching strategy and investment risk management policy. The Trustee decides its contribution based on the results of this annual review. The Trustee aims to keep annual contributions relatively stable at a level such that no plan deficits (based on valuations performed in accordance with the regulations in England and Wales) will arise.

The pension plans are exposed to several risks, including inflation, interest rate risks and the life expectancy for pensioners. As the plan assets include investments in listed equity shares, the Company is also exposed to equity market risk.

For funded defined benefit plans, any deficit of the fair value of plan assets over the present value of the defined benefit obligation is recognised as a liability in the Statement of Financial Position, taking into account any unrecognised actuarial gains or losses and past service cost. Actuarial gains and losses are recognised in full as they arise in the Statement of Changes in Equity. These reflect changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred.

The actuarial cost charged to the Income Statement in respect of the defined benefit plan consists of current service costs, interest costs, expected return on plan assets, past service costs and the effect of settlement curtailments.

The liabilities of the Company arising from defined benefit obligations and their related current service cost are determined using the projected unit credit method. A valuation is performed annually for the plan. Actuarial advice is provided both by external consultants and actuaries. The actuarial assumptions used to calculate the benefit obligations are set out below. To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily UK government bonds) and the historical level of risk premium associated with the other asset classes in which the portfolio is invested. The expected return for each asset class was then applied to the scheme asset allocations to develop the overall expected long-term rate of return for the combined portfolio.

#### Insurance buy-in

In December 2022, three of the UK defined benefit pension schemes purchased an insurance buy-in policy with an insurance company covering £26.3m of UK pension liabilities which is approximately a quarter of the pension portfolio. The buy-in policies transfer the longevity, market, interest and inflation risk to the insurers and reduces the pension risks being underwritten by the Group. The Company paid an upfront premium of £1.75m and expects to make no further payments to the schemes.

The premium paid represents a plan asset, initially recognised at the value of the premium paid and immediately remeasured to fair value through OCI, which is equal to the defined benefit obligation, yielding a nil defined benefit surplus/deficit on the balance sheet.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 31 Retirement benefit obligations

(Continued)

#### Key assumptions

	2022 %	2021 %
Rate of increase in pensionable salaries	nil	nil
Discount rate	5.00	1.80
Pension growth rate	3.15	3.45
Inflation assumption	2.80	3.05

#### Mortality assumptions

Assumed life expectations on retirement at age 65:

	2022 Number	2021 Number
Retiring today		
- Males	22.90	22.90
- Females	25.10	25.10
Retiring in 15 years		
- Males	23.80	23.80
- Females	26.20	26.20

The major categories of plan assets as a percentage of total plan assets are as follows:

	2022 %	2021 %
Equities	8.10	23.70
Bonds	16.60	17.20
Liability driven investments	26.40	30.60
Other	48.90	28.50

Amounts recognised in the income statement

	2022 £'000	2021 £'000
Current service cost	180	262
Expected return on plan assets	(2,955)	(2,323)
Finance costs	3,012	2,552
Past service cost	187	-
Loss on settlements	152	-
Other losses	19	21
	<u>595</u>	<u>512</u>



# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 31 Retirement benefit obligations

(Continued)

Amounts recognised in other comprehensive income

	2022 £'000	2021 £'000
Actuarial changes arising from changes in demographic assumptions	(1,005)	381
Actuarial changes arising from changes in financial assumptions	(59,122)	(4,655)
Actuarial changes arising from experience adjustments	3,756	(1,277)
Actuarial changes related to plan assets	55,643	(218)
Other gains and losses	19	21
Changes in asset ceiling	324	-
	<u>(385)</u>	<u>(5,748)</u>

The amounts included in the statement of financial position arising from the Company's obligations in respect of defined benefit plans are as follows:

	2022 £'000	2021 £'000
Present value of defined benefit obligations	(111,201)	(170,884)
Fair value of plan assets	112,818	163,859
	<u>1,617</u>	<u>(7,025)</u>
Effect of asset ceiling	(324)	-
	<u>1,293</u>	<u>(7,025)</u>

### Movements in the present value of defined benefit obligations

	2022 £'000	2021 £'000
At 1 January	(170,884)	(178,895)
Service cost	(180)	(262)
Past service cost	(187)	-
Loss on settlements	(152)	-
Benefits paid	6,913	5,351
Contributions from scheme members	(51)	(77)
Actuarial gains	56,352	5,551
Finance cost	(3,012)	(2,552)
	<u>(111,201)</u>	<u>(170,884)</u>

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 31 Retirement benefit obligations

(Continued)

Movements in the fair value of plan assets:

	2022 £'000	2021 £'000
At 1 January	163,859	159,234
Expected return on plan assets	2,955	2,323
Actuarial (losses)/gains	(55,643)	218
Benefits paid	(6,913)	(5,351)
Contributions from employer	8,579	7,456
Other losses	(19)	(21)
At 31 December	112,818	163,859

Analysis of the movement in net pension scheme liabilities

	2022 £'000	2021 £'000
As at 1 January	(7,025)	(19,661)
Total charge	(595)	(512)
Contributions	8,528	7,379
Net actuarial gains recognised in the year	709	5,769
	1,617	(7,025)
Effect of asset ceiling	(324)	-
At 31 December	1,293	(7,025)

Cumulative actuarial gains and losses recognised in equity

	2022 £'000	2021 £'000
As at 1 January	(10,155)	(15,903)
Net actuarial gains recognised in the year excluding insurance buy-in	(2,135)	5,748
Insurance buy-in	1,750	-
As at 31 December	(10,540)	(10,155)

Cash flow impact

	2022 £'000	2021 £'000
Employee contributions	-	-
Employer contributions	8,528	7,456
Benefits and settlements paid directly by the Company	-	-
	8,528	7,456

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 31 Retirement benefit obligations

(Continued)

Additional employer contributions of £5,130,000 (2021: £6,713,000) are expected to be made to the defined benefit schemes in the year ending 31 December 2023.

*Sensitivity of the net obligation to changes in assumptions:*

Increase in pension deficit due to change of assumption in isolation:

	2022	2021
	£'000	£'000
Discount rate decrease 0.1%	1,404	2,619
Inflation rate increase 0.1%	395	686
Life expectancy increase 1 year	4,044	8,408

The fair value of plan assets at the reporting year end was as follows:

	2022	2021
	£'000	£'000
Equity instruments	9,124	38,819
Bond instruments	18,747	28,184
Liability driven investments	29,805	50,166
Other	55,142	46,690
	112,818	163,859

All plan assets are quoted.

#### *Liability Driven Investments ("LDI")*

As highlighted in the table above, the defined benefit scheme exposes the Company to actuarial risks such as longevity, interest rate, inflation and investment risks. The LDI portfolio is designed to respond to changes in gilt yields in a similar way to a fixed proportion of the liabilities. With the LDI portfolio, if gilt yields fall, the value of the investments will rise to help partially match the increase in the trustee valuation of the liabilities arising from a fall in the gilt yield based discount rate. Similarly, if gilt yields rise, the value of the matching asset portfolio will fall, as will the valuation of the liabilities because of an increase in the discount rate. The leverage within the LDI portfolio means the equivalent of 26.43% of the value of the assets is sensitive to changes in interest rates and inflation and this mitigates the equivalent movement in the liabilities of the scheme as a whole. In 2022, long-term government bond yields increased significantly which meant that the value of the LDI portfolio fell but the value of the liabilities also fell by a similar amount.

### 32 Called up share capital

2022  
£'000

2021  
£'000

#### Ordinary share capital

##### *Authorised, allotted, called up and fully paid*

2,425 (2021: 2,225) ordinary shares of £1 each

2

2

On 22 September 2022, the Company issued 100 shares to its immediate parent for £1 at a premium of £40,019,000.

On 19 October 2022, the Company issued 100 shares to its immediate parent for £1 at a premium of £47,238,000.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 33 Share premium account

	2022 £'000	2021 £'000
At 1 January	152,288	152,288
Issue of new shares	87,257	-
At 31 December	239,545	152,288

On 22 September 2022, the Company issued 100 shares to its immediate parent for £1 at a premium of £40,019,000.

On 19 October 2022, the Company issued 100 shares to its immediate parent for £1 at a premium of £47,238,000.

### 34 Financial instruments risk management policies and objectives

#### **Capital management**

For the purpose of capital management, capital includes intercompany funding liabilities and shareholder's equity, net of cash.

	2022 £'000	2021 £'000
Intercompany funding liabilities	20,471	67,990
Shareholder's equity	281,298	155,607
	301,769	223,597
Less cash	(24,074)	(32,307)
	277,695	191,290

The Company's objectives when managing capital are to maintain a flexible capital structure that optimises the cost and availability of capital at acceptable risk and to manage capital in a manner that considers the interests of equity and debt holders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its shareholder, return capital to its shareholder, issue new shares or sell assets to reduce debt.

The Company is not subject to any externally imposed capital requirements.

#### **Risk management**

The Company's financial instruments expose it to credit, foreign currency, interest rate and liquidity risk:

#### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Financial instruments which potentially subject the Company to significant credit risk consist principally of cash, trade receivables, other receivables and amounts due from joint arrangements. Costs and anticipated profits in excess of billings are also evaluated for credit risk using the same model. The Company's maximum amount of credit risk exposure is limited to the carrying amount of these financial instruments and contract assets, which is £155,538,000 as at 31 December 2022 (31 December 2021: £145,916,000).

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 34 Financial instruments risk management policies and objectives

(Continued)

The Company's cash is held within investment-grade financial institutions. The Company therefore considers the associated risk to be minimal.

The Company's credit risk is principally attributable to its trade receivables and contract assets. The amounts disclosed in the Statement of Financial Position are net of an allowance for expected credit losses, estimated by management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. Generally, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is only extended following an evaluation of credit worthiness. In addition, the Company performs ongoing credit reviews of all of its customers and establishes an allowance for expected credit losses when the likelihood of collecting the receivable has significantly diminished. The Company believes that the credit risk of trade receivables is limited.

The Company mitigates its credit risk by providing services to diverse clients in various market and economic sectors.

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The majority of the Company's business is conducted in sterling although some is conducted in other currencies. As a result, it is subject to the risks associated with foreign exchange movements affecting transaction costs. The Company's broad geographical spread in terms of cost base and customer locations helps to reduce the impact on profitability of swings in exchange rates as well as creating opportunities for netting of exposures. It is the Company's policy to minimise risk to exchange rate movements affecting sales and purchases by economically hedging or netting currency exposures at the time, or when there is a high probability, of future commitment, using currency instruments (primarily forward exchange contracts). The fair value of the forward exchange contracts as at 31 December 2022 is not significant.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its intercompany funding balances. This risk is partially offset by cash held at variable rates.

A 100-base point change in interest rates would not have a material impact on the Company's net earnings.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations as they fall due.

The UK treasury function, with assistance from Canada, ensures that the Company maintains funding flexibility by assessing future cash flow expectations to ensure that the Company will always have adequate resources to meet its liabilities when they fall due, with sufficient headroom to cope with abnormal market conditions.

The Company is party to an unsecured credit facility of US\$35,000,000. The arrangement is between a financial institution (the lender) and WSP Group Limited (the borrower), with certain UK Group companies, including the Company, captured within the arrangement. Interest on the overdraft facility is 2.50% + Bank of England base rate (2021: 2.50% + Bank of England base rate). The arrangement is not subject to any covenants and is repayable on demand.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 34 Financial instruments risk management policies and objectives

(Continued)

On 27 April 2017, the Company entered into an Intercompany Revolving Credit Agreement with WSP Global Inc., the ultimate parent. The loan is used by WSP Global Inc. as a way of moving cash around the group in order to maximise the operation of its treasury function. The Company will only loan cash to WSP Global Inc when it has excess funds available and the loan is repayable on demand. Interest is charged at a rate of 2.25% per annum (2021: 2.25%). As at 31 December 2022, the loan, including accrued interest, was a payable of £11,216,000 (2021: receivable of £18,822,000).

The Company was party to a loan agreement with WSP Luxembourg Sarl, a fellow Group entity which was repaid in the year ended 31 December 2022. As at 31 December 2022, the loan capital is £nil (2021: £50,000,000). Interest was charged at 7% per annum. In the year ended 31 December 2022, interest expense of £2,792,000 (2021: £3,500,000) was incurred on this loan.

### 35 Contingencies and commitments

The Company has no contingent liabilities or commitments as at 31 December 2022 (2021: £nil).

### 36 Events after the reporting date

On 1 April 2023, the Company acquired the majority of the trade and assets of WSP Environment and Infrastructure Solutions UK Limited (formerly Wood Environment and Infrastructure Solutions UK Limited), a fellow group entity. Consideration was £44,724,000.

On 1 July 2023, the Company acquired the majority of the trade and assets of WSP (Real Estate and Infrastructure) Limited (formerly Capita (Real Estate and Infrastructure) Limited), a subsidiary of the Company. Consideration was £53,323,000.

On 1 July 2023, the Company acquired the trade and assets of the Planning and Development business of G L Hearn Limited, a subsidiary of the Company. Consideration was £3,259,000.

### 37 Related party transactions

#### Transactions with related parties

	2022 £'000	2021 £'000
<i>Transactions with ultimate parent entity:</i>		
- Recharged costs from ultimate parent entity	18,238	11,428
- Finance income receivable from ultimate parent entity	315	1,223
- Finance costs payable to ultimate parent entity	116	-
Dividend income from investments	14,900	1,669
Sale of services to fellow group entities	37,800	20,462
Purchase of services from fellow group entities	41,668	22,227
<i>Other transactions:</i>		
- Dividend paid to immediate parent entity	-	50,160
- Finance income receivable from fellow group entities	747	184
- Finance costs payable to fellow group entities	3,263	5,360
- Interest on lease liabilities payable to fellow group entities	1,437	1,733

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 37 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2022 £'000	2021 £'000
Ultimate parent company	(11,216)	-
Subsidiaries	(40,014)	(54,126)
Other group companies	(17,131)	(64,525)
	<u>(68,361)</u>	<u>(118,651)</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2022 £'000	2021 £'000
Ultimate parent company	-	17,269
Subsidiaries	54,917	11,561
Other group companies	8,674	11,664
	<u>63,591</u>	<u>40,494</u>

#### Transactions with key management personnel

Remuneration of the directors is disclosed in note 10. There are no other transactions with key management personnel.

### 38 Controlling party

The Company's immediate parent undertaking is WSP Group Holding AB, registered in Sweden.

The ultimate parent undertaking and controlling party of the Company is WSP Global Inc., incorporated in Canada. WSP Global Inc.'s registered address is 1600 René-Lévesque Blvd. West, Montreal, Quebec, Canada. As it is a wholly owned subsidiary of WSP Global Inc., the Company has taken advantage of Section 401 of the Companies Act 2006 in not preparing consolidated financial statements for the current year.

The results of the Company are included in the consolidated financial statements of WSP Global Inc. which are available to the public and may be obtained from the WSP website, [www.wsp.com](http://www.wsp.com). WSP Global Inc. is the only group for which group financial statements including the Company are drawn up.

# WSP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 39 Cash generated from operations

	2022 £'000	2021 £'000 Restated*
Profit for the year after tax	38,122	36,398
<b>Adjustments for:</b>		
Taxation charged	7,531	5,025
Finance costs	5,404	7,981
Finance income	(1,062)	(1,407)
Dividend income	(14,900)	(1,669)
Loss on disposal of property, plant and equipment -	64	46
Depreciation and impairment of right-of-use asset	15,363	14,365
Amortisation and impairment of intangible assets	3,266	2,025
Depreciation and impairment of property, plant and equipment	5,809	5,863
Impairment of investments in subsidiaries	12,811	1,604
Expected credit loss on intercompany funding receivable	11,685	-
Pension scheme non-cash movement	(7,933)	(6,888)
(Decrease)/increase in provisions	(3,769)	1,667
<b>Movements in working capital:</b>		
(Increase)/decrease in trade and other receivables - trading	(16,660)	(16,919)
Increase/(decrease) in trade and other payables - trading	9,076	(3,688)
<b>Cash generated from operations</b>	<b>64,807</b>	<b>44,403</b>

\*Amounts shown here do not correspond to the 2021 financial statements and reflect adjustments made. Refer to note 1.2.