

WSP UK LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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WSP UK LIMITED

COMPANY INFORMATION

Directors

M Naysmith
M Barnard
M Rogerson
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

WSP UK LIMITED

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WSP UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report on WSP UK Limited (the "Company") for the year ended 31 December 2020.

Review of the business

The principal activity of the Company is the provision of consulting engineering 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. During the financial year, the Company earned revenue of £602,049,000 (2019: £686,540,000), a decrease of 12.3% compared with the previous year. Profit before taxation for the financial year was £16,548,000 (2019: £24,753,000). The reduction in revenue and profit before taxation was because of the Covid-19 pandemic, mainly relating to uncertainty in private sector markets and restrictions on international travel. However, the Company's employees were able to successfully transition from office-based to home-based working during the UK lockdown period and the Company remains focussed on maintaining business continuity and pursuing new assignments, whilst also ensuring the health and safety of employees, clients and communities in which the Company operates.

Section 172(1) statement

The Board of Directors of WSP UK Limited (the "Company") 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 2020. 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 2019-2021 Global Strategic Plan with a view to the long-term success of the Company. The strategy evolves around our foundational pillars, namely Clients, People and Culture, Operational Excellence and Expertise. The Board is mindful of the fact that our future world will be very different from today's in many ways and is guided by our "Future Ready" initiative to see the future more clearly through key trends in climate change, society, technology and resources, and challenge our teams to work with our clients to advise on solutions that are both ready for today and the years to come.

The interests of the Company's employees

The Company's success is attributable to the technical expertise and commercial ability of our professionals, forged 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 makes us great. We care about individuals and our People and Culture strategy focuses on health, safety and wellbeing through our zero-harm culture and Thrive program, providing our people with an environment to deliver their full potential by creating professional career paths for our technical experts, thought leaders and managers, including providing extensive training and development opportunities. Our intention is to ensure fair and equal treatment of our employees by embedding a culture of diversity and inclusion.

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 undertake. The Company regularly obtains feedback surveys from clients on their experience and actively responds to constructive advice.

The Company has worked closely with its suppliers and closely managed its relationship with the same from a commercial and compliance perspective.

WSP UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 thrive sustainably.

The Company supports community involvement by its employees and encourages charitable activity and donations of both time and money.

The Board is committed to reducing the environmental impact of the Company's operations. As experts in assisting the Company's own clients in implementing carbon reduction measures, we continue to focus on reducing our own environmental impact. One of the major objectives outlined in WSP's 2019-2021 Global Strategic Plan is a global greenhouse gas reduction target to prevent significant climate change impacts from our operations.

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 the WSP Global Inc. group, 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.

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.

Principal risks and uncertainties

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

Impact of the Covid-19 pandemic

Since the World Health Organization characterized the outbreak of the novel strain of coronavirus (COVID-19) as a global pandemic on 11 March 2020, there have been extraordinary and wide-ranging actions and measures by international and UK public health and governmental authorities worldwide to slow and contain the spread of the virus. The containment efforts taken to fight this health crisis, including implementation of travel bans, border closings, quarantine periods and social distancing, as well as considerable general concern and uncertainty, have affected economies and financial markets around the world resulting in a global economic slowdown, and have had and may continue to have negative effects on the Company's business, financial performance and financial position. Although the Company continued to perform and deliver most of its projects remotely, with many of its services being considered as essential, the temporary shutdown of certain construction sites and other restrictive measures taken globally have resulted in some delayed or cancelled projects as well as reductions in demand for certain of the Company's services, and may result in further delayed or cancelled projects or reduction in demand for certain services as the situation evolves, which may or may not be offset by other projects. The mitigation measures implemented in light of the COVID-19 pandemic, including remote working requirements, may also increase the level of other risks the Company is already subject to and which are described below, all of which may negatively impact the Company's business, financial performance and financial position. Any business deterioration, contract cancellations or terminations, or market pressures could cause the Company's sales, earnings and cash flows to decline below its current projections and may lead to impairment of goodwill and intangibles.

WSP UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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, health, and safety hazards because they may require additional time to complete or because employee time may be lost due to injury.

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.

Increased awareness of environmental factors

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 Corporation'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.

WSP UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

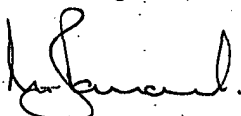
Financial risk

Financial risks are disclosed in note 35.

Key performance indicators

The Company's key performance indicators (KPIs) are revenue and operating profit, as set out on page 18.

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



M Barnard

Director

30 July 2021

WSP UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and audited financial statements on the Company for the year ended 31 December 2020.

Results and dividends

The results for the year are set out on page 18.

Ordinary dividends amounting to £10,000,000 (2019: £10,000,000) were paid. On 8 June 2021, the Company declared an in specie dividend of £49,600,000.

Capital injection

On 17 June 2020, the Company issued one share to its immediate parent for £1 at a premium of £21,273,000.

Directors

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

M Naysmith
M Barnard
M Rogerson
C Thompson

(Appointed 14 September 2020)

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.

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, with a fair value of £144,000 (31 December 2019: £87,000), the Company had no currency swaps, derivatives or designated hedging instruments as at 31 December 2020 and 31 December 2019.

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 2.5% + Bank of England base rate (2019: 2.5% + Bank of England base rate). The arrangement is not subject to any covenants and is repayable on demand.

WSP UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On 27 April 2017, the Company entered into an Intercompany Revolving Credit Agreement, as lender, with WSP Global Inc., the ultimate parent, as borrower. 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 (2019: 2.25%). As at 31 December 2020, the loan, including accrued interest, is £101,948,000 (2019: £55,560,000).

Financial risk management

Financial risk management is disclosed in note 35.

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.

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.

WSP UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 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.

Covid-19

During 2020 the Covid-19 pandemic has significantly affected the United Kingdom and other countries in which the Company operates. Business disruption has been reasonably modest and there have been no significant supply chain disruptions. Even before the Covid-19 pandemic, the health and safety of our people has been our primary concern and the Company continues to follow the UK Government's Covid-19 Recovery Strategy and health and safety guidance while navigating through the pandemic. The Company's employees were able to successfully transition from office-based to home-based working during the UK lockdown period; most of our employees continue to work remotely and a plan to return employees to office and site working environments, to the extent considered to be safe and appropriate, is being rolled out. Specific financial and operational measures were implemented, with a focus on cash and business continuity. These measures included utilising support from the UK Government along with restructuring the workforce to strengthen the Company's position for future trading.

Post reporting date events

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

On 15 April 2021, the company acquired 100% of the share capital of Opus International Consultants (UK) Limited, a fellow group entity. Consideration was £1.

On 8 June 2021, the Company acquired 100% of the share capital of Golder Associates (UK) Limited, a fellow group entity. Consideration was £4,200,000.

There are no other subsequent events.

Corporate governance

During the year ended 31 December 2020, WSP UK Limited (the "Company") applied 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 2020

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 2020, the Company had approximately 7,100 employees in the UK and expects to continue to pursue its growth strategy. The Board has adopted the WSP Global Inc. 2019-2021 Global Strategic 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 South Africa; Miles Barnard, Chief Financial Officer for the UK and South Africa; Michael Rogerson, UK Transformation Director and Ciaran Thompson, Chief Operating Officer for the UK (appointed to the Board in September 2020). 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 was appointed Chief Executive Officer for the U.K. and South Africa in 2016, after holding a number of senior board positions in the UK and the Republic of Ireland. Mark is a Chartered Engineer (CEng) with a BEng Hons (1st) in Civil and Transportation Engineering and 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. Having started his career as a civil and structural engineer, Mark spent the majority of his practising career as a transport planner. He is accountable for the day-to-day operations of the Company and its strategic growth and direction, together with operational delivery of the Company's projects in the UK and South Africa. He is a member of the Global Leadership Team as well as the UK Executive Committee and the UK Executive Leadership Team.

Miles Barnard is Chief Financial Officer for WSP in the UK and South Africa 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. He was previously the Managing Director of Mouchel Limited, which was acquired by WSP in 2016.

Michael Rogerson held the position of Chief Operating Officer for the UK until October 2019 when he was seconded to lead a global strategic project on behalf of the group and is now UK Transformation Director. As Chief Operating Officer, he was responsible for leading the day-to-day operations of the Company, ensuring the development of ethics, health and safety practices for the Company and to oversee compliance with those practices and to maintain a positive and ethical work climate that is conducive to attracting, retaining and motivating top-quality employees. While on secondment, Michael has kept apprised of Company operations by joining regular internal briefings on finance and operations as well as frequent meetings with the current Chief Operating Officer, Ciaran Thompson.

WSP UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Ciaran Thompson has held the position of Chief Operating Officer for the UK since October 2019. 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.

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. 2019-2021 Global Strategic 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 for approval by, 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 the 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.

WSP UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 period from 1 January 2020 to 31 December 2020. The Company's disclosures are made to achieve compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

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 offices that were within the operational control of the business during the reporting period:

Basingstoke	Exeter (The Forum)	Manchester (First Street)
Belfast	Exeter (Clyst Works)*	Manchester (St James House)*
Birmingham	Glasgow (Orega)*	Middlesbrough
Brighton*	Glasgow (Queen Street)	Newcastle-upon-Tyne
Bristol (Kings Orchard)	Guildford	Northallerton**
Bristol (Severn House)*	Hertford**	Omagh*
Bristol (Willow House)*	Leeds (Headrow)*	Perth*
Cambridge	Leeds (Toronto Square)*	Shrewsbury*
Cardiff**	Leeds (White Rose)	Southampton
Croydon*	Liverpool	Taunton*
Derby*	London (Aldermay)	Tewkesbury*
Dublin*	London (Chancery Lane)	Truro
Edinburgh	London (Devonshire Square)	Wrexham
Exeter (Keble House)	London (High Holborn)*	

*Offices that closed during 2020

**Offices where leased area reduced during 2020

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 period, where available.

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

Vehicles 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

WSP UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

- 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):

- 1,530,073 km x 0.69131 kWh/km (Average car, Unknown fuel)

All of the vehicle data is converted to tCO₂e using UK Government emission factors.

Our intensity ratio (tCO₂e/FTE) was based on the average FTE for 2020 and the total gross emissions (3,033 / 6,926 = 0.44).

Methodology

In preparing this report, WSP have followed the March 2019 HM Government Environmental Reporting Guidelines as well as the GHG Protocol Corporate Standard. The 2019 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 (tCO₂e). The chosen intensity measurement ratio is total emissions per full time equivalent employee (tCO₂e/FTE); total FTEs for the reporting period were 6,926.

The following table presents the company's energy consumption and resultant GHG emissions for the reporting period:

Parameter	1 January 2020 to 31 December 2020
Total energy consumption (kWh)	8,810,614
Onsite energy used	
Energy consumption from combustion of gas (kWh) (Scope 1)	2,451,821
Energy consumption from purchased electricity (kWh) (Scope 2)	5,301,038
Transport energy used	
Energy consumption from combustion of fuel for transport purposes: pool vehicle (kWh) (Scope 1)	1,057,755
Energy consumption from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (kWh) (Scope 3)	

WSP UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Total gross emissions (tCO₂e) - using the Location-based electricity figure	3,033
<i>Scope 1 Emissions (tCO₂e)</i>	
Scope 1 Emissions from combustion of gas (tCO ₂ e)	-
Scope 1 Emissions from combustion of fuel for transport purposes: pool vehicle (tCO ₂ e)	212
Scope 1 Emissions from office-based refrigerant losses (tCO ₂ e)	73
<i>Scope 2 Emissions (tCO₂e)</i>	
Scope 2 Emissions from purchased electricity - location based (tCO ₂ e)	1,236
Scope 2 Emissions from purchased electricity - market based (tCO ₂ e)	536
Scope 2 Emissions from combustion of gas owned or controlled by another company (tCO ₂ e)	420
<i>Scope 3 Emissions (tCO₂e)</i>	
Scope 3 Emissions (tCO ₂ e) from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO ₂ e)	
- rental	375
- company cars	91
- employee-owned	621
- taxis	5
Intensity ratio (tCO₂e/FTE)	
Ratio of GHG emissions to quantifiable business metric (tCO ₂ e/FTE)	0.44

Energy efficiency actions taken

In the period covered by the report, WSP has managed its estate through three national lockdowns in response to the UK government tackling Covid-19 infection rates.

The Corporate Real Estate team's management of properties during these lockdowns has resulted in 1.39m kWh less consumption than the estate consumed in 2019 (a reduction of 15%).

This was achieved through local management of vacant 'offices' building systems operations (where in WSP's control) to minimise operating times and reducing utility consumption.

Another factor in the 2020 reduction was the permanent closure of 20 offices (plus two part closures) due to ongoing Covid restrictions and limited forecast use post-Covid.

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.

WSP UK LIMITED

DIRECTORS' REPORT (CONTINUED)

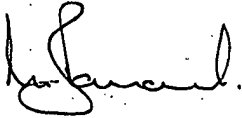
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

On behalf of the board



M Barnard

Director

30 July 2021

WSP UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 also 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 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.

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 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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 2020 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 UK tax legislation and employment law, 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. 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, and testing accounting estimates for potential management bias;
- Inspection of supporting documentation, where appropriate;
- Reviewing relevant meeting minutes; and
- Reviewing the tax provisions of the Company.

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. 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.

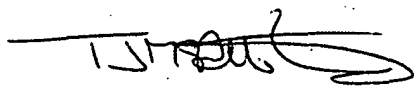
Other required reporting

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.



Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 July 2021

WSP UK LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Revenue	4	602,049	686,540
Subcontractor costs		(111,659)	(153,223)
Employee benefit costs		(359,349)	(343,956)
Contract and agency staff costs		(24,964)	(32,876)
Cost of sales		(495,972)	(530,055)
Gross profit		106,077	156,485
Dividend income	6	28,476	1,550
Other income	11	6,230	1,945
Administrative expenses	7	(92,871)	(117,212)
Gain on disposal	33	3,402	-
Operating profit before impairment of investments in subsidiaries	8	51,314	42,768
Impairment of investment in subsidiaries	19	(27,710)	(12,169)
Operating profit	8	23,604	30,599
Finance income		1,712	989
Finance costs	13	(8,768)	(6,835)
Profit before taxation		16,548	24,753
Income tax expense	14	(1,856)	(1,170)
Profit for the year		14,692	23,583

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 2020

	Notes	2020 £'000	2019 £'000
Profit for the year		<u>14,692</u>	<u>23,583</u>
Other comprehensive expense:			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension schemes	31	(9,394)	(6,509)
Tax relating to items not reclassified		<u>1,867</u>	<u>1,293</u>
Total items that will not be reclassified to profit or loss		<u>(7,527)</u>	<u>(5,216)</u>
Total comprehensive income for the year		<u>7,165</u>	<u>18,367</u>

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

WSP UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Goodwill	17	109,778	107,533
Intangible assets	17	3,862	329
Property, plant and equipment	18	17,626	2,565
Investments	19	18,747	43,145
Right-of-use asset	22	76,952	11,276
Deferred tax asset	28	19,009	9,416
		<u>245,974</u>	<u>174,264</u>
Current assets			
Trade and other receivables	24	235,731	236,260
Withholding tax receivable		118	241
Cash and cash equivalents		43,950	90,095
		<u>279,799</u>	<u>326,596</u>
Total assets		<u>525,773</u>	<u>500,860</u>
Current liabilities			
Trade and other payables	27	200,578	234,712
Corporation tax payable		1,474	4,274
Lease liabilities	29	15,655	2,455
Provisions	30	3,031	2,259
		<u>220,738</u>	<u>243,700</u>
Net current assets		<u>59,061</u>	<u>82,896</u>
Non-current liabilities			
Borrowings	26	50,000	50,000
Retirement benefit obligations	31	19,661	16,850
Long term provisions	30	9,093	5,587
Lease liabilities	29	61,778	7,866
		<u>140,532</u>	<u>80,303</u>
Total liabilities		<u>361,270</u>	<u>324,003</u>
Net assets		<u>164,503</u>	<u>176,857</u>

WSP UK LIMITED

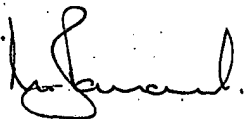
STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Equity			
Called up share capital	32	2	2
Share premium account		152,288	131,015
Merger reserve		(30,792)	-
Pension reserve		(12,743)	(5,216)
Retained earnings		55,748	51,056
Total equity		<u>164,503</u>	<u>176,857</u>

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 30 July 2021 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 2020

	Notes	Called up share capital £'000	Share premium account £'000	Pension reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		2	131,015	-	-	37,525	168,542
Effect of adoption of IFRS 16		-	-	-	-	(52)	(52)
As adjusted at 1 January 2019		2	131,015	-	-	37,473	168,490
Year ended 31 December 2019:							
Profit for the year		-	-	-	-	23,583	23,583
Other comprehensive expense:							
Actuarial losses on defined benefit plans	31	-	-	(6,509)	-	-	(6,509)
Tax relating to other comprehensive loss		-	-	1,293	-	-	1,293
Total comprehensive income for the year		-	-	(5,216)	-	23,583	18,367
Dividends paid	15	-	-	-	-	(10,000)	(10,000)
Balance at 31 December 2019		2	131,015	(5,216)	-	51,056	176,857
Year ended 31 December 2020:							
Profit for the year		-	-	-	-	14,692	14,692
Other comprehensive expense							
Actuarial losses on defined benefit plans	31	-	-	(9,394)	-	-	(9,394)
Tax relating to other comprehensive loss		-	-	1,867	-	-	1,867
Total comprehensive income for the year		-	-	(7,527)	-	14,692	7,165
Issue of share capital	32	-	21,273	-	-	-	21,273
Dividends paid	15	-	-	-	-	(10,000)	(10,000)
Business reorganisation	16	-	-	-	(30,792)	-	(30,792)
Balance at 31 December 2020		2	152,288	(12,743)	(30,792)	55,748	164,503

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

WSP UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	38	14,667	13,608
Interest paid		(8,768)	(6,835)
Tax paid		(2,424)	(3,181)
Net cash inflow from operating activities		3,475	3,592
Investing activities			
Purchase of intangible assets		(1,239)	(273)
Purchase of property, plant and equipment		(2,617)	(2,345)
Receipt of government grants		5,142	-
Proceeds on disposal of business		4,965	-
Cash acquired through acquisition		2,327	-
Overdraft acquired through acquisition		(67,017)	-
Dividends received		10,175	1,550
Net cash used in investing activities		(48,264)	(1,068)
Financing activities			
Payment of principal portion of lease liabilities		(12,629)	-
Capital contribution from parent		21,273	-
Dividends paid		(10,000)	(10,000)
Net cash used in financing activities		(1,356)	(10,000)
Net decrease in cash and cash equivalents		(46,145)	(7,476)
Cash and cash equivalents at beginning of year		90,095	97,571
Cash and cash equivalents at end of year		43,950	90,095

The Company received in specie dividend income of £18,301,000 (2019: £nil).

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 2020

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 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006.

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.

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. are available to the public and may be obtained from the WSP website 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 Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. 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 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. Accordingly, the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

1.3 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 as "Costs and anticipated profits in excess of billings" in 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 as "Billings in excess of costs and anticipated profits" in 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 2020

1. Accounting policies

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 and can be reasonably estimated. 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).

Revenue is shown net of VAT.

1.4 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.

1.5 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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.6 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, as detailed in note 16. 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.

1.7 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.

1.8 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.

The useful lives for the computer software intangible assets are assessed to be 3 - 6 years.

1.9 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, 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
Plant and equipment	3 to 5 years straight line
Computers	4 years straight line
Motor vehicles	5 years straight line

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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.10 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.

1.11 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.

1.12 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.

1.13 Cash and cash equivalents

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

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.14 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 associates and costs and anticipated profits in excess of billings	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.

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

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 and contract assets (costs and anticipated profits in excess of billings).

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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies

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.

1.15 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.

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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.16 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.

1.17 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 the 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.

1.18 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.

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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

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.

1.19 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.

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. 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.

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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

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.

1.20 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 in profit or loss.

1.21 Research and development

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

1.22 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.

1.23 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 2020 and 31 December 2019 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

The company adopted the amendments to IFRS 3 Business Combinations, IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors on 1 January 2020. The nature and effect of the changes as a result of the adoption of these amendments is described below.

Amendments to IFRS 3 - Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Amendments to IAS 1 and IAS 8 – Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the company's financial statements of, nor is there expected to be any future impact to the Company.

Other new and amended standards and interpretations

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. These new amendments and interpretations are:

- Amendments to IFRS 7, IFRS 9 and IAS 39 - Interest rate benchmark reform
- Amendments to IFRS 16 - Covid-19 related rent concessions
- Revised Conceptual Framework for Financial Reporting

Standards which are in issue but 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 IAS 37

Provisions, Contingent Liabilities and Contingent Assets

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 2023 and must be applied retrospectively. They are not expected to have a significant impact on the Company's financial statements.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".

The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. 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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Adoption of new and revised standards and changes in accounting policies (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

The Company values its contract assets based on the time and materials charged to each project and anticipated future costs and revenues. The determination of revenues and contract assets involves estimates of the volume of work required to complete the project. On a monthly basis, management reviews the actual volume of work and the estimated anticipated volume of work for each project to determine whether the amount recognised as contract assets is a true reflection of the amount that will be earned on the projects. Where the review determines that the value of contract asset exceeds the amount that can be earned, adjustments are made to the contract asset. Changes in the estimate of work required to complete the projects could lead to reversals of revenues.

Business combinations and goodwill

The company has goodwill of £109,778,000 (2019: £107,533,000). The goodwill arises from business combinations and the company applies the acquisition method of accounting for these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, management uses significant estimates and assumptions which determine the amount allocated to goodwill. 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. Further information is provided in note 17.

Retirement benefit obligations

The present value of obligations is calculated on an actuarial basis which depends on a number of assumptions relating to the future. These key assumptions are assessed regularly according to market conditions and data available to management. Further information is provided in note 31.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Significant accounting estimates, judgements and assumptions

(continued)

Leases - impairment of right-of-use asset

The Company applies estimates to assess whether a right-of-use asset is impaired, particularly when it expects to vacate an office space, including the ability to sublease the assets or surrender the lease and recover its costs. The Company examines its lease conditions as well as local market conditions and estimates its recoverability potential for each vacated premise.

Leases - estimating the incremental borrowing rate

When the implicit interest rate of a lease is not readily available, the Company uses its incremental borrowing rate ("IBR"). The determination of the IBR requires the use of various assumptions. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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 judgment 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:

	2020 £'000	2019 £'000
Revenue analysed by class of business		
Principal activity	602,049	686,540
	<u>602,049</u>	<u>686,540</u>
	2020 £'000	2019 £'000
Timing of revenue recognition		
At a point in time	-	-
Over time	602,049	686,540
	<u>602,049</u>	<u>686,540</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 the adoption of IFRS 15 Revenue from Contracts with Customers are 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 2020

4 Revenue

(continued)

	2020 £'000	2019 £'000
Revenue analysed by sector		
Transport & Infrastructure	279,405	314,543
Planning & Advisory	198,603	228,101
Property & Buildings	71,360	85,387
Water, Energy & Industry	52,681	58,509
Central	-	-
	<u>602,049</u>	<u>686,540</u>
	2020 £'000	2019 £'000
Revenue analysed by geographical market		
United Kingdom	558,547	645,994
Rest of Europe	13,483	12,527
Middle East	18,542	14,688
Africa	4,082	6,110
Rest of Asia	2,494	1,678
Oceania	714	1,080
North America	3,091	3,419
South America	1,096	1,044
	<u>602,049</u>	<u>686,540</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 of 31 December 2020. 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 2020 unfulfilled performance obligations is:

	2020 £'000	2019 £'000
Within one year	181,058	120,071
More than one year	57,020	55,772
	<u>238,078</u>	<u>175,843</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Dividend income

Dividend income was received from the following companies:

	2020 £'000	2019 £'000
Parsons Brinckerhoff Ltd	9,500	-
WSP European Holdings Limited	17,500	-
Integrated Building Services Design Partnership Limited	801	-
Network Information Services Limited	675	1,550
	<u>28,476</u>	<u>1,550</u>

Dividend income comprises in specie dividend income of £18,301,000 (2019: £nil) and cash dividend income of £10,175,000 (2019: £1,550,000).

7 Administrative expenses

Administrative expenses comprise:

	2020 £'000	2019 £'000
Property costs	25,687	27,280
Equipment and communication costs	15,036	18,004
Operational staff costs	6,364	12,616
Legal and professional costs	12,892	4,198
Group management charges	17,891	50,204
Intercompany loan waiver	3,056	-
Expected credit loss on trade receivables	9,076	513
Other costs	2,869	4,397
Total administrative expenses	<u>92,871</u>	<u>117,212</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Operating profit

	2020 £'000	2019 £'000
Operating profit for the year is stated after (crediting)/charging:		
Exchange (gains)/losses	(186)	1,125
Fees payable to the company's auditor for the audit of the company's financial statements	778	645
Fees payable to the company's auditor for non-audit services	-	-
Income from government grants (note 12)	(5,142)	-
Depreciation of property, plant and equipment	4,842	284
Depreciation of right-of-use asset	14,415	3,253
Amortisation of intangible assets	1,384	89
Waiver of intercompany loans	3,056	-
Operating lease rentals - property	287	397
Operating lease rentals - equipment and plant	-	1,224
Research and development expenditure credit	(2,522)	(1,877)
Bad debt provision charge/(release)	1,023	(513)

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.

Fees payable to the company's auditor include audit fees paid on behalf of fellow group undertakings. Other than the statutory audit, no fees are paid or payable to PricewaterhouseCoopers LLP.

9 Employees

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

	2020 Number	2019 Number
Technical, management and administration	7,116	6,501

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	304,331	296,708
Social security costs	31,475	31,439
Termination benefits	7,731	1,082
Other pension costs - defined contribution	15,812	14,727
	359,349	343,956

Administrative expenses include pension costs relating to defined benefit schemes of £1,093,000 (2019: £599,000).

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Directors' remuneration

	2020 £'000	2019 £'000
Short term employment benefits	1,061	1,256
Post-employment benefits	1,020	817
	<u>2,081</u>	<u>2,073</u>

Up to 31 March 2020, the directors were remunerated by a fellow group entity, WSP Management Services Limited. As the Group does not think it appropriate to apportion these costs to individual companies, no recharges were made to the Company. As of 1 April 2020, the directors are remunerated by the Company.

The emoluments of the highest paid director were £1,129,000 (2019: £1,158,000), of which £120,000 (2019: £1,158,000) was paid by WSP Management Services Limited. Defined contribution pension payments of £nil (2019: £21,000) were made on behalf of the highest paid director, of which £nil (2019: £21,000) was paid by WSP Management Services Limited. Post-employment benefits include £662,000 (2019: £571,000) relating to a long term incentive plan for the highest paid director.

The highest paid director received share options in WSP Global Inc with a value of £92,000 (2019: £95,000).

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

11 Other income

	2020 £'000	2019 £'000
R&D tax credits	2,522	1,877
Intercompany loan waiver	3,311	-
Other income	397	68
	<u>6,230</u>	<u>1,945</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Government grants

In the current year, government grants have been received in respect of the UK Government's Coronavirus Job Retention Scheme. No grants were received in the prior year.

All grant income received during the year has been recognised in the Income Statement, offset against the related payroll expense. Grant income recognised in these categories is as follows:

	2020 £'000	2019 £'000
Employee benefit costs	5,142	-
Administrative expenses	-	-
	<u>5,142</u>	<u>-</u>

There are no unfulfilled conditions or other contingencies attached to the grants.

13 Finance costs

	2020 £'000	2019 £'000
Interest on lease liabilities	1,933	335
Interest payable to Group undertakings	6,434	6,150
Net interest on net defined benefit liability	258	350
Other interest payable	143	-
	<u>8,768</u>	<u>6,835</u>

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

	2020 £'000	2019 £'000
Interest on lease liabilities - third party	429	335
Interest on lease liabilities - intercompany	1,504	-
	<u>1,933</u>	<u>335</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Income tax expense

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current year	-	3,277
Group relief payable	890	1,059
Adjustments in respect of prior years	(476)	(926)
Total UK current tax	414	3,410
Overseas tax payable	14	31
Total current tax	428	3,441
Deferred tax		
Origination and reversal of temporary differences	2,286	(2,245)
Adjustment in respect of prior years	195	(26)
Change in tax rates	(1,053)	-
	1,428	(2,271)
Total tax charge	1,856	1,170

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

	2020 £'000	2019 £'000
Profit before taxation	16,548	24,753
Expected tax charge based on a corporation tax rate of 19% (2019: 19%)	3,144	4,703
Effect of expenses not deductible in determining taxable profit	5,985	2,435
Income not taxable	(629)	-
Adjustment in respect of prior years - current tax	(476)	(926)
Effect of change in UK corporation tax rate	(971)	(76)
Group income	(5,406)	(296)
Recognition of previously unrecognised deferred tax asset	-	(4,675)
Adjustments in respect of prior years - deferred tax	195	(26)
Overseas tax	14	31
Taxation charge for the year	1,856	1,170

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Income tax expense

(continued)

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

	2020 £'000	2019 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(1,866)	(1,293)

The company's profits for this accounting year are taxed at a standard rate of 19% (2019: 19%).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £993,000.

15 Dividends paid

	2020 amount per share	2019 amount per share	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders:				
Ordinary Dividend paid	4,496.40	4,496.40	10,000	10,000

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Acquisitions

Indigo Planning

On 1 January 2020, the Company acquired certain trade and assets from Indigo Planning Limited, a fellow Group subsidiary, as part of a group restructuring process.

Consideration paid for the acquisition was £6,000,000.

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

	Final fair value £'000
Property, plant and equipment	369
Right-of-use asset	2,033
Trade and other receivables	3,040
Cash and cash equivalents	206
Lease liability	(1,974)
Trade and other payables	(1,208)
Provisions	(125)
Total identifiable net assets at fair value	<u>2,341</u>
Consideration	<u>6,000</u>
Goodwill arising on acquisition	<u>3,659</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Acquisitions

(continued)

WSP Remediation

On 1 April 2020, the Company acquired certain trade and assets from WSP Remediation Limited, a fellow Group subsidiary, as part of a group restructuring process.

Consideration paid for the acquisition was £1.

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

	Final carrying value £'000
Property, plant and equipment	9
Deferred tax assets	19
Trade and other receivables	1,416
Cash and cash equivalents	712
Current tax asset	336
Trade and other payables	(3,253)
Total identifiable net liabilities at fair value	(761)
Consideration	-
Difference between consideration and net liabilities acquired	761

Refer to note 1.6.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Acquisitions

(continued)

WSP CEL

On 1 April 2020, the Company acquired certain trade and assets from WSP CEL Limited, a fellow Group subsidiary, as part of a group restructuring process.

Consideration paid for the acquisition was £1,431,368.

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

	Final carrying value £'000
Deferred tax assets	51
Trade and other receivables	2,067
Cash and cash equivalents	1,409
Current tax liabilities	(176)
Trade and other payables	(1,920)
Total identifiable net assets at fair value	1,431
Consideration	1,431
Difference between consideration and net assets acquired	-

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Acquisitions

(continued)

WSP Management Services

On 1 April 2020, the Company acquired certain trade and assets from WSP Management Services Limited, a fellow Group subsidiary, as part of a group restructuring process.

Consideration paid for the acquisition was £1.

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

	Final carrying value £'000
Property, plant and equipment	16,948
Right-of-use asset	3,512
Intangibles	3,678
Deferred tax assets	7,830
Trade and other receivables	46,303
Current tax asset	1,778
Borrowings	(67,017)
Lease liability	(2,660)
Trade and other payables	(40,403)
Total identifiable net liabilities at fair value	(30,031)
Consideration	-
Difference between consideration and net liabilities acquired	30,031

Refer to note 1.6.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Goodwill and intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 January 2019	109,965	339	110,304
Additions	-	273	273
At 31 December 2019	109,965	612	110,577
Additions	3,659	1,239	4,898
Disposals	(1,414)	-	(1,414)
Acquired	-	3,678	3,678
At 31 December 2020	112,210	5,529	117,739
Accumulated amortisation and impairment			
At 1 January 2019	2,432	194	2,626
Charge for the year	-	89	89
At 31 December 2019	2,432	283	2,715
Charge for the year	-	1,384	1,384
At 31 December 2020	2,432	1,667	4,099
Carrying amount			
At 31 December 2020	109,778	3,862	113,640
At 31 December 2019	107,533	329	107,862

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

Additions to goodwill during the financial year arose from the acquisition of certain trade and assets from Indigo Planning Limited.

Disposals of goodwill during the financial year arose on the disposal of the Traffic Support business.

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 2020. 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 after tax for 2021 (2020 budgeted figures for the test performed in 2019) as agreed by the Board is used as the basis for determining cash flows;

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Goodwill and intangible assets

(b) Cash flows were projected forward for the CGU having regard to their relative markets and risk profiles. A growth factor of 2% (2019: 2%) was applied which was projected over 5 years and then subject to a terminal value calculation.

(c) Maintaining margins at 2021 budgeted levels, unless any restructuring activity already in place suggests cost savings and margin improvements are appropriate.

(d) Applying the discount rate of 12.22% (2019: 12.49%). 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 in any of the key assumptions used in calculating the value in use would have caused the carrying value of the CGU to materially exceed its respective recoverable amount as at 31 December 2020.

Based on the testing performed, the Directors did not identify an impairment as at 31 December 2020 (31 December 2019: no impairment required).

18 Property, plant and equipment

	Leasehold improvements	Plant and equipment	Computers	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2019	15	535	595	17	1,162
Additions	27	2,151	167	-	2,345
At 1 January 2020	42	2,686	762	17	3,507
Additions	259	430	1,928	-	2,617
Acquisition	1,605	5,789	9,935	-	17,329
Disposals	(55)	(1,183)	-	(3)	(1,241)
At 31 December 2020	1,851	7,722	12,625	14	22,212
Accumulated depreciation and impairment					
At 1 January 2019	5	246	394	13	658
Charge for the year	18	131	134	1	284
At 1 January 2020	23	377	528	14	942
Charge for the year	224	1,048	3,570	-	4,842
Eliminated on disposal	(55)	(1,143)	-	-	(1,198)
At 31 December 2020	192	282	4,098	14	4,586
Carrying amount					
At 31 December 2020	1,659	7,440	8,527	-	17,626
At 31 December 2019	19	2,309	234	3	2,565

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Investments

	2020 £'000	2019 £'000
Investments in subsidiaries	18,217	42,615
Other investments	530	530
	<u>18,747</u>	<u>43,145</u>

In the current year, following an impairment test of the carrying amount of its investments, which evidenced that the performance of these assets will be lower due to the Group restructuring, the Company impaired its investments in WSP European Holdings Limited and Parsons Brinckerhoff Ltd by £19,824,000 and £7,886,000 respectively.

In the prior year, following an impairment test of the carrying amount of its investments, which identified evidence that economic performance of these assets will be worse than expected due to the planned restructuring and an expected decline in budgeted net cash flows, the Company impaired its investments in WSP European Holdings Limited and Parsons Brinckerhoff Ltd by £5,661,000 and £6,508,000 respectively.

On 19 November 2020, the Company acquired 100% of the share capital of WSP Management Consultants Limited. Consideration paid was £3,312,000.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Investments

(continued)

Movements in non-current investments

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
Cost			
At 1 January 2019	187,516	1,031	188,547
Additions	-	-	-
At 1 January 2020	187,516	1,031	188,547
Additions	3,312	-	3,312
At 31 December 2020	190,828	1,031	191,859
Impairment			
At 1 January 2019	(132,732)	(501)	(133,233)
Impairment losses	(12,169)	-	(12,169)
At 1 January 2020	(144,901)	(501)	(145,402)
Impairment losses	(27,710)	-	(27,710)
At 31 December 2020	(172,611)	(501)	(173,112)
Carrying amount			
At 31 December 2020	18,217	530	18,747
At 31 December 2019	42,615	530	43,145

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 and 31 December 2019 are as follows:

Name of undertaking	Registered office and country of incorporation	Ownership interest (%)	Ownership interest (%)	Nature of business
		2020	2019	
Integrated Building Services Design Partnership Limited^	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Dormant
WSP UK Water Services Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Dormant
Parsons Brinckerhoff Ltd	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Consulting engineers
WSP European Holdings Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Holding company
WSP Management Services Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Provision of management services
WSP Management Consultants Limited*	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	-	Consulting engineers

*On 19 November 2020, the Company acquired 100% of the share capital of WSP Management Consultants Limited. Consideration paid was £3,312,000.

^On 16 March 2021, Integrated Building Services Design Partnership Limited was dissolved.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Joint arrangements

Details of the Company's joint arrangements at 31 December 2020 and 31 December 2019 are as follows:

Name of undertaking	Country of incorporation	Ownership interest (%)	Nature of business
Network Information Services Limited	England and Wales	50.00	Consulting engineers
Kier WSP	N/a - unincorporated joint operation	50.00	Civil engineering
Carillion WSP*	N/a - unincorporated joint operation	50.00	Civil engineering
Gifford WSP	N/a - unincorporated joint operation	50.00	Civil engineering
Hyder WSP	N/a - unincorporated joint operation	50.00	Civil engineering
Scotland Transerv	N/a - unincorporated joint operation	30.00	Professional and technical services
Mouchel Fairhurst	N/a - unincorporated joint operation	50.00	Professional and technical services
Mouchel Atkins	N/a - unincorporated joint operation	50.00	Professional and technical services
Opus Arup	N/a - unincorporated joint operation	50.00	Professional and technical services
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 services
MWJV	N/a - unincorporated joint operation	50.00	Engineering and environmental consultancy

*The Carillion WSP joint operation is inactive and there are no balances contained within it.

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 2020

22 Right-of-use asset

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

	Motor vehicles £'000	Property £'000	Total £'000
As at 1 January 2019	-	14,529	14,529
Depreciation	-	(3,253)	(3,253)
As at 1 January 2020	-	11,276	11,276
Additions	-	70,196	70,196
Modifications	-	4,463	4,463
Acquired through acquisition	3,512	2,033	5,545
Depreciation	(980)	(13,435)	(14,415)
Disposals	-	(113)	(113)
As at 31 December 2020	2,532	74,420	76,952
Amounts recognised in profit or loss include the following:		2020 £'000	2019 £'000
Depreciation		(14,415)	(3,253)

Following restructuring activity performed by the Company's direct and indirect subsidiaries, with effect from 1 April 2020, the "identified asset" (as defined by IFRS 16 Leases) within the intercompany property lease arrangements transferred to the Company from WSP Management Services Limited, a subsidiary of the Company, and WSP Group Limited, an indirect parent of the Company and, from this date, the Company subleases property leases from these fellow group entities. Additions of £67,636,000 arose as a result of this restructuring.

23 Contracts with customers

	2020 £'000	2019 £'000
Contracts in progress at the reporting end date		
Amounts owed by contract customers included in trade and other receivables	31,150	64,059
Amounts owed to contract customers included in trade and other payables	(44,674)	(37,437)
	(13,524)	26,622

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 2020, the Company had contract assets of £31,150,000 (31 December 2019: £64,059,000) which is net of an allowance for expected credit loss of £10,195,000 (31 December 2019: £8,147,000).

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 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 decreased in 2020 from 2019 due to a specific business focus on reducing the collection period of contract assets.

Movements in the allowances for expected credit losses of contract assets

	2020 £'000	2019 £'000
As at 1 January	8,147	2,181
Provision for expected credit losses	16,546	7,992
Acquired through acquisition	21	-
Utilised	(8,865)	(913)
Released	(5,654)	(1,113)
As at 31 December	10,195	8,147

	2020 £'000	2019 £'000
Contract revenues recognised		
Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year	33,731	29,721
Revenue recognised in the reporting year from performance obligations satisfied (or partially satisfied) in previous years	-	-

24 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	66,869	83,118
Allowance for expected credit losses	(12,574)	(3,310)
	54,295	79,808
Contract assets	31,150	64,059
Other receivables	13,532	4,300
Amounts due from fellow Group undertakings - trading	7,285	6,802
Amounts due from fellow Group undertakings - funding	117,723	75,026
Prepayments and accrued income	11,746	6,265
	235,731	236,260

Interest on funding balances between companies within the Group is charged at 2.5% + Bank of England base rate (2019: 1 January Bank of England base rate + LIBOR). Interest is not charged on trading balances between companies within the Group. Interest income of £1,712,000 (2019: £989,000) has been earned on intercompany funding balances.

The balances are unsecured and repayable on demand.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 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:

	2020 £'000	2019 £'000
Current	42,100	51,172
Past due 0-30 days	11,940	15,511
Past due 31-60 days	3,716	6,586
Past due 61-90 days	1,706	2,219
Past due 90-180 days	1,823	2,241
Past due over 180 days	5,585	5,389
	<u>66,870</u>	<u>83,118</u>
Allowance for expected credit loss	(12,574)	(3,310)
	<u>54,296</u>	<u>79,808</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 carrying amounts of trade receivables are denominated in the following currencies:

	2020 £'000	2019 £'000
Sterling	48,585	74,113
US Dollar	3,167	2,712
Euro	1,022	1,937
Other currencies	1,522	1,046
	<u>54,296</u>	<u>79,808</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Trade receivables - credit risk

(continued)

Movement in the allowances for expected credit losses of trade receivables

	2020	2019
	£'000	£'000
Provision at 1 January	3,310	3,934
Acquired through acquisition	549	-
Released	(3,364)	-
Provisions utilised in the year	(2,097)	(4,655)
Increase in provisions in the year	14,176	4,031
Balance at 31 December	12,574	3,310

26 Borrowings

	2020	2019
	£'000	£'000
Non-current borrowings		
Loan from a fellow Group undertaking	50,000	50,000

The loan from a fellow Group undertaking is a loan from WSP Luxembourg Sarl, a fellow Group entity. Interest is charged at 7% per annum and the loan is repayable on 12 October 2024.

27 Trade and other payables

	2020	2019
	£'000	£'000
Trade payables	18,809	22,746
Contract liabilities	44,674	37,437
Amounts due to fellow Group undertakings - trading	1,241	40,756
Amounts due to fellow Group undertakings - funding	67,655	73,001
Accruals	31,015	28,903
Social security and other taxation	37,184	26,715
Other payables	-	5,154
	200,578	234,712

Interest on funding balances between companies within the Group is charged at 2.5% + Bank of England base rate (2019: 1 January Bank of England base rate + LIBOR). Interest is not charged on trading balances between companies within the Group. Interest expense of £7,938,000 (2019: £6,150,000) has been incurred on the intercompany funding balances.

The balances are unsecured and are repayable on demand.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27 Trade and other payables

(continued)

Contractual maturity of trade and other payables:

	At 31 December 2020		
	Up to 1 year	Between 1 year & 5 years	More than 5 years
	£'000	£'000	£'000
Trade payables	18,809	-	-
Amounts due to fellow Group undertakings - trading	1,241	-	-
Amounts due to fellow Group undertakings - funding	67,655	-	-
	<u>87,705</u>	<u>-</u>	<u>-</u>

	At 31 December 2019		
	Up to 1 year	Between 1 year & 5 years	More than 5 years
	£'000	£'000	£'000
Trade payables	22,746	-	-
Amounts due to fellow Group undertakings - trading	40,756	-	-
Amounts due to fellow Group undertakings - funding	73,001	-	-
	<u>136,503</u>	<u>-</u>	<u>-</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 liability at 1 January 2019	-	-	-	-	-
Deferred tax asset at 1 January 2019	414	2,158	2,522	269	5,363
Deferred tax movements in prior year					
(Charge)/credit to income	(225)	3,650	(71)	-	3,354
Credit direct to equity	-	-	186	-	186
Effect of change in tax rate - other comprehensive expense	-	-	-	-	-
Transfer - retirement benefit obligation	-	-	487	-	487
Transfer - current tax	-	-	-	-	-
Prior year adjustments	(10)	(152)	188	-	26
Deferred tax asset at 31 December 2019	179	5,656	3,312	269	9,416
Deferred tax movements in current year					
Credit/(charge) to income	(174)	(779)	(1,332)	-	(2,285)
Effect of change in tax rate	20	642	389	-	1,051
Credit direct to equity	-	-	1,866	-	1,866
Transfer - current tax	9,156	-	-	-	9,156
Prior year adjustments	(6)	(189)	-	-	(195)
Deferred tax asset at 31 December 2020	9,175	5,330	4,235	269	19,009

As at 31 December 2019, deferred tax balances were recognised using a corporation tax rate of 17%, which, as a reduction in the tax rate was expected in April 2020, is the tax rate that was expected to apply in the period when the deferred tax asset was forecast to be realised based on tax rates that had been enacted or substantively enacted at the balance sheet date. In March 2020, the UK Government cancelled this rate reduction which means that the UK corporation tax will remain at 19% for the foreseeable future. The impact of the tax rate remaining at 19% is to increase the deferred tax asset as at 31 December 2019 to £10,523,000.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset by £6,002,000.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Deferred tax asset

(continued)

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

	2020 £'000	2019 £'000
Deferred tax assets	19,009	9,416

The value of deferred tax assets unprovided in relation to trading losses is £nil (2019: £nil).

29 Lease liabilities

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

	Motor vehicles £'000	Property £'000	Total £'000
As at 1 January 2019	-	12,644	12,644
Accretion of interest	-	335	335
Payments	-	(2,658)	(2,658)
As at 1 January 2020	-	10,321	10,321
Additions	-	70,309	70,309
Modifications	-	3,119	3,119
Disposals	-	(254)	(254)
Arising on acquisition	2,660	1,974	4,634
Accretion of interest	45	1,888	1,933
Payments	(1,229)	(11,400)	(12,629)
As at 31 December 2020	1,476	75,957	77,433

Following the restructuring activity performed by the Company's direct and indirect subsidiaries, 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. Additions to the lease liability of £67,636,000 arose as a result of this restructuring.

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

	2020 £'000	2019 £'000
Lease liability payable to intercompany	64,675	-
Lease liability payable to third party lessors	11,282	10,321
	75,957	10,321

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

29 Lease liabilities

(continued)

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:

	2020 £'000	2019 £'000
Current liabilities	15,655	2,455
Non-current liabilities	61,778	7,866
	<u>77,433</u>	<u>10,321</u>

Contractual maturity of lease liabilities:

At 31 December 2020

	Up to 1 year	Between 1 year & 5 years	More than 5 years
Lease liabilities	<u>15,655</u>	<u>59,464</u>	<u>2,314</u>

At 31 December 2019

	Up to 1 year	Between 1 year & 5 years	More than 5 years
Lease liabilities	<u>2,455</u>	<u>6,241</u>	<u>1,625</u>

Amounts recognised in profit or loss include the following:

	2020 £'000	2019 £'000
Interest on lease liabilities	<u>1,933</u>	<u>335</u>

The weighted average incremental borrowing rates applied to the lease liabilities recognised at the date of adoption of IFRS 16 Leases ranged between 2.9% - 3.2% (31 December 2019: 2.9% - 3.2%).

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Long term provisions

	Dilapidations provisions	Insurance/claim provisions	Other provisions
	£'000	£'000	£'000
Movement in total provisions			
At 1 January 2020	1,938	4,408	1,500
Provisions increased during the year	381	2,882	2,433
Arising on acquisition	85	40	-
Utilised during the year	-	(1,268)	(275)
At 31 December 2020	<u>2,404</u>	<u>6,062</u>	<u>3,658</u>

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.

Insurance/claim 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. The insurance/claim provisions are expected to be utilised over the next 5 years.

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 £15,812,000 (2019: £14,727,000).

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Retirement benefit obligations

(continued)

Defined benefit scheme

Historically, a fellow Group company, WSP Management Services Limited (a subsidiary of the Company), supplied the Company with employees who are members of defined benefit pension schemes. Pension obligations relating to these staff were disclosed in the financial statements of WSP Management Services Limited, which charged the Company an appropriate fee for the services of its staff.

In 2018, the Group commenced a restructuring exercise to transfer the defined benefit pension schemes from WSP Management Services Limited to WSP UK Limited. On 31 December 2018, the Graham Consulting Group Retirement Benefits Scheme, which is a funded defined benefit scheme, was transferred to the Company from WSP Management Services Limited at a fair value of £13,646,000.

During the year ended 31 December 2019, the restructuring exercise was completed and the following funded defined benefit pension schemes were transferred to the Company from WSP Management Services Limited. The transfers were completed on the following dates:

Scheme	Date of transfer	Surplus/(deficit) on transfer
		£'000
Donald Rudd & Partners	3 April 2019	93
WSP Group	3 April 2019	2,064
Brian Ford Partnership	8 May 2019	(4,478)
Cairns & Byles	28 May 2019	(567)
Veryards	3 June 2019	26
		<u>(2,862)</u>

After the completion of these transfers, 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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Retirement benefit obligations

(continued)

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.

Key assumptions

	2020	2019
	%	%
Rate of increase in pensionable salaries	nil	nil
Discount rate	1.45	2.05
Pension growth rate	2.95	2.80
Inflation assumption	2.45	2.30

Mortality assumptions

Assumed life expectations on retirement at age 65:

	2020	2019
	Number	Number
Retiring today		
- Males	22.90	22.60
- Females	25.10	24.40
Retiring in 15 years		
- Males	23.80	23.50
- Females	26.20	25.60

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Retirement benefit obligations

(continued)

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

	2020	2019
	%	%
Equities	22.69	28.94
Bonds	19.90	18.80
Liability driven investments	28.76	20.47
Other	28.65	31.79

Amounts recognised in the income statement

	2020	2019
	£'000	£'000
Current service cost	276	255
Expected return on plan assets	(2,708)	(3,049)
Finance costs	2,969	3,376
Past service cost	535	-
Other gains and losses	21	17
	<u>1,093</u>	<u>599</u>

Amounts recognised in other comprehensive income

	2020	2019
	£'000	£'000
Actuarial changes arising from changes in demographic assumptions	1,990	(652)
Actuarial changes arising from changes in financial assumptions	14,879	15,251
Actuarial changes arising from experience adjustments	6,545	(37)
Actuarial changes related to plan assets	(14,020)	(8,053)
Other gains and losses	-	-
	<u>9,394</u>	<u>6,509</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:

	2020	2019
	£'000	£'000
Present value of defined benefit obligations	(169,835)	(147,430)
Fair value of plan assets	<u>150,174</u>	<u>130,580</u>
Deficit in scheme	<u>(19,661)</u>	<u>(16,850)</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Retirement benefit obligations

(continued)

Movements in the present value of defined benefit obligations

	2020 £'000	2019 £'000
At 1 January	(147,430)	(86,393)
Service cost	(276)	(255)
Past service cost	(535)	-
Benefits paid	4,893	5,911
Contributions from scheme members	(104)	(74)
Actuarial losses	(23,414)	(14,562)
Finance cost	(2,969)	(3,376)
Transfer from fellow group entity	-	(48,681)
At 31 December	<u>(169,835)</u>	<u>(147,430)</u>

Movements in the fair value of plan assets:

	2020 £'000	2019 £'000
At 1 January	130,580	72,747
Expected return on plan assets	2,708	3,049
Actuarial gains	14,020	8,053
Benefits paid	(4,893)	(5,911)
Contributions from employer	7,780	6,840
Other gains and losses	(21)	(17)
Transfer from fellow group entity	-	45,819
At 31 December	<u>150,174</u>	<u>130,580</u>

Analysis of the movement in net pension scheme liabilities

	2020 £'000	2019 £'000
As at 1 January	(16,850)	(13,646)
Total charge	(1,093)	(599)
Transferred from fellow group entity	-	(2,862)
Contributions	7,676	6,766
Net actuarial losses recognised in the year	(9,394)	(6,509)
At 31 December	<u>(19,661)</u>	<u>(16,850)</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Retirement benefit obligations

(continued)

Cumulative actuarial gains and losses recognised in equity

	2020	2019
	£'000	£'000
As at 1 January	(6,509)	-
Net actuarial losses recognised in the year	(9,394)	(6,509)
As at 31 December	15,903	(6,509)

Cash flow impact

	2020	2019
	£'000	£'000
Employee contributions	-	74
Employer contributions	7,780	6,766
Benefits and settlements paid directly by the Company	-	-
	7,780	6,840

Additional employer contributions of £7,156,000 are expected to be made to the defined benefit schemes in the year ending 31 December 2021.

Sensitivity of the net obligation to changes in assumptions:

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

	2020	2019
	£'000	£'000
Discount rate decrease 0.1%	2,755	2,436
Inflation rate increase 0.1%	1,088	898
Life expectancy increase 1 year	8,822	7,084

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

	2020	2019
	£'000	£'000
Equity instruments	34,070	37,788
Bond instruments	29,883	24,553
Liability driven investments	43,193	26,732
Other	43,028	41,507
	150,174	130,580

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Called up share capital	2020	2019
	£'000	£'000
Ordinary share capital		
<i>Authorised, allotted, called up and fully paid</i>		
2,225 (2019: 2,224) ordinary shares of £1 each	2	2

On 17 June 2020, the Company issued one share to its immediate parent for £1 at a premium of £21,273,000.

33 Disposal of a business

On 31 October 2020 the company disposed of its UK Traffic Support business. Total consideration received was £4,965,000 and a gain on disposal of £3,402,000 has been recognised in the Statement of Comprehensive Income.

34 Operating lease commitments

On 1 January 2019, the Company adopted IFRS 16 Leases. Following the adoption of this accounting standard, the Company has no material commitments in respect of operating leases.

35 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.

	2020	2019
	£'000	£'000
Intercompany funding liabilities	117,655	123,001
Shareholder's equity	164,503	176,857
	<u>282,158</u>	<u>299,858</u>
Less cash	(43,950)	(90,095)
	<u>238,208</u>	<u>209,763</u>

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:

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

35 Financial instruments risk management policies and objectives

(continued)

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 £98,977,000 as at 31 December 2020 (31 December 2019: £148,167,000).

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 costs and anticipated profits in excess of billings. 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 2020 was £144,000 (31 December 2019: £87,000).

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 long-term debt and 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.

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

35 Financial instruments risk management policies and objectives

(continued)

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 2.5% + Bank of England base rate (2019: 2.5% + 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, as lender, with WSP Global Inc., the ultimate parent, as borrower. 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 (2019: 2.25%). As at 31 December 2020, the loan, including accrued interest, is £101,948,000 (2019: £55,560,000).

36 Related party transactions

Transactions with related parties

	£'000	£'000
<i>Transactions with ultimate parent entity:</i>		
- Recharged costs from ultimate parent entity	12,646	3,833
- Finance income receivable from ultimate parent entity	1,379	560
Dividend income from investments	28,476	1,550
Sale of services to fellow group entities	21,606	22,378
Purchase of services from fellow group entities	50,207	100,663
<i>Other transactions:</i>		
- Dividend paid to immediate parent entity	10,000	10,000
- Finance income receivable from fellow group entities	333	428
- Finance costs payable to fellow group entities	8,184	5,202
- Interest on lease liabilities payable to fellow group entities	1,504	-

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2020 £'000	2019 £'000
Subsidiaries	(64,873)	(35,234)
Other group companies	(54,023)	(128,523)
	<u>(118,896)</u>	<u>(163,757)</u>

WSP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

36 Related party transactions

(continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2020 £'000	2019 £'000
Ultimate parent company	104,408	55,537
Subsidiaries	11,354	14,720
Other group companies	9,246	11,571
	<u>125,008</u>	<u>81,828</u>

Transactions with key management personnel

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

37 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. 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. 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 2020

38. Cash generated from operations

	2020 £'000	2019 £'000
Profit for the year after tax	14,692	23,583
Adjustments for:		
Taxation charged	1,856	1,170
Finance costs	8,768	6,835
Receipt of government grants	(5,142)	-
Dividend income	(28,476)	(1,550)
Loss on disposal of property, plant and equipment	42	-
Right-of-use asset non-cash item	(80,091)	-
Gain on disposal of business	(3,402)	-
Depreciation of right-of-use asset	14,415	3,253
Amortisation and impairment of intangible assets	1,385	89
Depreciation and impairment of property, plant and equipment	4,844	284
Impairment of investments in subsidiaries	27,710	12,169
Pension scheme non-cash movement	(6,583)	(3,305)
Increase/(decrease) in lease liability	75,108	(2,323)
Increase/(decrease) in provisions	4,153	(1,365)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	71,505	(19,295)
Decrease in trade and other payables	(86,117)	(5,937)
Cash generated from operations	14,667	13,608