

Registered number: 1883830

STEER DAVIES & GLEAVE LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



STEER DAVIES & GLEAVE LIMITED

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STEER DAVIES & GLEAVE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	H Jones S J Daly W Pike J K Steer C Browning (appointed 21 May 2019) R J Fenning (appointed 21 January 2020)
Company Secretary	V Dorrington
Registered No.	1883830
Registered office	28-32 Upper Ground London SE1 9PD
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	NatWest Bank London Bridge Branch 10 Southwark Street London SE1 1TJ

STEER DAVIES & GLEAVE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their Strategic report for the year ended 31 March 2020.

This Strategic report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed. The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Business review

The principal activity of the Group during the year was the provision of consulting services to transport, infrastructure and related sectors.

Total fees earned from consulting activities in the year to 31 March 2020 were £54.8m (2019: £53.9m), an increase of 2% on the prior year. Profit before tax in the year ended 31 March 2020 increased by 28.6% to £2.7m (2019: £2.1m). The results for the year and the financial position at the year-end were considered satisfactory by the Directors.

While the Directors seek to secure growth in Group turnover and profits, the risks noted below are such that consistent year on year revenue growth cannot be assured and volatility in levels of profitability is anticipated at this time. The Group's approach to securing turnover and revenue growth is by maintaining its differentiated offering, the addition of complementary lines of business to its operations allied to pro-active business development and risk control in its chosen markets.

Principal risks and uncertainties

The market for transportation, infrastructure and related consultancy remains highly competitive and it is the view of the Directors that the Group will face further competition in all its markets of operation. The performance of the Group will also be impacted upon by financial and economic conditions (see going concern) and governmental expenditure and the nature of transport and related policies, changes to which can lead to a reduction in market size and increased debtor risk. It is also the view of the Directors that client indemnity requirements and recourse to litigation present an ongoing and increasing risk to the transport and infrastructure consultancy sector.

The Group will continue to monitor the nature and progress of discussions relating to the United Kingdom's departure from the European Union and, where it is feasible to do so, it will take steps that allow it to maintain its presence and competitiveness in this important market.

The Group monitors its principal risks and uncertainties through the collation of market and client related intelligence, and its consideration of lead indicators including hit-rate, work won and backlog. The Group manages its risks and uncertainties through its controls and reporting processes.

Going concern

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks of the business and having considered the severe but plausible downside scenario resulting from the COVID 19 pandemic and its impact on the global economy.

STEER DAVIES & GLEAVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Whilst this crisis is constantly evolving, making accurate forecasting and planning difficult, we have prepared cashflow forecasts which consider a number of downside scenarios of the effect on our revenues, profits and cashflows over an 18-month period. The directors have considered the current COVID 19 environment, the considerable effects on the transportation, infrastructure and associated consultancy markets and a variety of economic forecasts of the likely detrimental effect on the global economy over the longer term in the preparation of these forecasts. We have considered that we remain fully operational in all of our major markets and regions but we have tested scenarios in which our global revenues in the next 12 months decline significantly (between 20 – 40% from targets and prior year revenues).

As a result of the forecasts prepared and in light of recent trading and expected trading levels, the directors have taken mitigating action both temporary and more permanent, with the objective to reduce levels of operational costs across the Group and be able to maintain operations whilst subject to containment and restriction measures.

With the cost reduction measures already taken and the strong balance sheet position, including significant free cash balances, despite the significant drops in global revenue creating a negative effect on Group profitability, in all scenarios, including the most severe but plausible downside scenario considered, we have identified that the Group is capable of remaining free of external financing or debt and retains sufficient headroom above operational cash levels to withstand some level of further, as yet unknown, shock should it arise. Based on current levels of new project wins and with the benefit of the information provided from a comprehensive set of forward revenue indicators providing clarity over likely revenue levels in the next 12 months, the Directors are satisfied that the mitigating actions taken ensure that the Group's obligations can be met as they fall due for a period of at least 12 months from the date of approval of the financial statements. Should it be necessary, the Directors are also satisfied that there are further mitigating actions within their control which could be taken.

Consequently, the Directors are satisfied that financial statements should be prepared on a going concern basis.

Section 172(1) Statement

Steer's success depends on the trust and confidence of all of its stakeholders to operate sustainably in the long term as an independent and employee owned business. The Group seeks support and fully meet its clients' interests invest in its employees, support the communities in which we operate and strive to generate sustainable long-term profits for our shareholders.

The Directors of Steer have acted in accordance with their duties as codified in law, which include their duty to act in a way in which they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172 (1) of the Companies Act 2006. The Directors consider and make decisions with regard (amongst other matters) to the following:

STEER DAVIES & GLEAVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

- *Section 172 (1) A – The likely consequences of any decision in the long term*

As a proud employee owned organisation, we benefit from the independence to seek long term, sustainable profits rather than the short-term pressure that can be exercised by third party shareholders or lenders. The longer term view is embedded within Steer through the use and application of the Group's Mission and Principles which guide decision making and action across the Group through their inclusion within Group's constitution and governance framework. This approach supports the many long term client relationships that we hold and how we retain, reward and support our employees through the use of bonus and long term incentive schemes and ongoing professional development and learning. The Group operates within five year strategic framework which sets out the strategic development and evolution of the Group which determines the Group's actions and investment priorities

- *Section 172 (1) B – The interests of the company's employees*

The Directors recognise that Steer employees are fundamental and core to our business and delivery of our strategic objectives. Steer aims to be a company where the best global talent wants to work and can contribute, develop and succeed, the success of our business depends on attracting and retaining and motivating talented employees. From ensuring that we remain a responsible employer, to pay and benefits, to the annual *Working at Steer Survey* conducted across all employees and reviewed by the Board, the Directors ensure that they factor implications of decisions on employees wherever relevant and feasible.

The Group is striving to be more representative meaning we are better able to serve our clients and the communities in which we operate, bringing a wider range of experiences and views to our work. We are committed to providing equality of opportunity and reward for all our employees and safeguarding a culture that ensures equality, diversity and inclusivity. In particular the Board has set equality, diversity and inclusion goals for the whole group which it is working towards the achievement of.

- *Section 172 (1) C – The need to foster the Company's business relationships with suppliers, customers and others*

Delivering our strategy requires strong mutually beneficial relationships between clients, suppliers and *industry partners*. We are proudly independent, - controlled and owned by people working within the business, - leaving us impartial and free to deploy unfettered thinking and advice to our clients. The business is continuously assessing priorities of its clients and the markets in which they operate and the Board regularly engages with the business on these issues, for example, within the context of business strategy reviews, quarterly business updates or investment proposals. The Group believes that it should support its suppliers, customers and industry partners in ways that extend beyond our core consulting activities. Examples of this commitment include the shared use of our research and innovation program, collaborative knowledge sharing events and industry engagement through our *Movement Matter Programme*. The Board also reviews and approves Steer's approach to suppliers ensuring that Steer is fully compliant with matters including but not limited to Modern Slavery, anti bribery and corruption, equality and data security within its supply chain.

STEER DAVIES & GLEAVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

- *Section 172 (1) D – The impact of the company's operations on the community and the environment"*

The Group seeks to minimise any adverse impact of its operations on the community and environment and to support the communities in which it operates. This commitment is long standing and embodied in the Group's Mission and Principles. Steer operates an environmental management system that accords with ISO 14001 and participates in energy auditing as part of the Energy Savings Opportunity Scheme (ESOS) and the Streamlined Energy and Carbon Reporting (SECR) framework. Our Environmental Management System actively encourages the reduction of environmental impacts relating to commuting, business travel, energy and water usage, waste disposal and procurement activities. Notable initiatives from the year include recognition as Bike Friendly Business, migration to closed loop paper recycling and removal of single use plastic milk bottles.

We seek to support the community through our paid volunteering program which (delivered 450 hours of volunteering support in 19/20) locally focused procurement and charitable activities. We are a long standing London Living Wage employer across all of our UK operations and insist that our primary suppliers adopt this position also.

- *Section 172 (1) E – The desirability of the company for maintaining a reputation of high standards of business conduct*

Steer is proud to be an independent, employee owned company and all within the Group are guided by the principles and standards as set out in the Blue Book. The Board also periodically reviews and approves clear frameworks such as the Modern Slavery Statement to ensure that high standards are maintained both within Steer and in the business relationships that we maintain. This, complemented by the ways in which the Board are informed of and monitors compliance of relevant governance standards help assure that its decisions are taken in ways that promote high standards of business conduct. In addition, the Trustees of the Steer Voting Trust, the majority shareholder in the Company, annually review and report on the business practices and conduct of the Group, management and the board.

- *Section 172 (1) F – The need to act fairly as between members of the company*

Steer as an independent employee owned company has a comprehensive framework to ensure that it acts fairly between the members of the company. This framework includes policies that govern director dealings, the operation of no-deal windows, independence and accuracy in the derivation of the company's share price and the provision of accurate shareholder information. The framework is maintained and operated by the board and the General Counsel provides quarterly updates and guidance as required.

STEER DAVIES & GLEAVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Streamlined energy and carbon reporting

As a global consultancy the majority of our energy consumption is indirect. Our most significant greenhouse gas emissions are associated with our energy use and business air travel. We do have a positive environmental impact through our client work, as many of our commissions relate to initiatives designed to reduce the negative impacts of travel for the population as a whole, and help our clients reduce their environmental impacts. The Group's greenhouse gas emissions for the UK, for the financial year ended March 20 are stated below, along with key emissions intensity metrics which we will continue to monitor in future years.

		2019/20		
Type of emissions	Activity	kWh	tCO ₂ e	% of total
Direct (Scope 1)	Gas	548,958	100.93	9.8%
Energy Indirect (Scope 2)	Electricity	435,245	111.25	10.8%
Other Indirect (Scope 3)	Personal Vehicle	55,048	16.01	1.6%
	Trains	61,974	16.30	1.6%
	Flights	1,427,914	781.69	76.2%
Total gross emissions (tCO₂e)		1026		
Total energy consumed (kWh)		2,529,140		
Intensity metric				
Average number of employees		263		
Tonnes of CO ₂ e per employee		3.90		
Carbon footprint (greenhouse gas emissions)				

The methodology used to measure our emissions is the UK Government GHG Conversion Factors for Company Reporting.

During 2019 we have worked hard to increase staff awareness of environmental good practice. We have undertaken our ESOS reporting which has highlighted opportunities within our UK operations and we have focussed on centralising all of our energy and travel through group suppliers to ensure data is readily available and provided in a consistent and transparent manner.

Over the next year, we are looking to work with our employees to identify ways in which we can drive beneficial change within each of the areas that we work and we will be reviewing opportunities within our buildings and our operations to reduce our environmental impact. By reducing our carbon emissions, improving our energy efficiency, reducing our consumption of natural resources, and managing our waste production and disposal we believe that we will be playing our part in supporting global efforts to reduce carbon emissions. Ultimately our Group aim is to become fully carbon neutral.

STEER DAVIES & GLEAVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Development, performance and position

The Group will continue to follow its strategy of offering high quality and differentiated consultancy services to its chosen markets to retain and attract clients in addition to adding complementary services to its offering to support growth, diversification and aid competitiveness. While the Group is active in its chosen markets, it evaluates new markets and sectors on an ongoing basis and expects to continue to diversify and amend its service offering as client needs evolve.

The Directors believe that the independence of the Group provides a competitive advantage and that employee ownership assists the Group to employ, retain and develop highly talented staff, who are a key component of the Group's strategy.

The Group will continue to offer consultancy services to both the private and public sectors and, where possible, it will be pro-active and respond to changes in prevailing procurement practices, as well as client requirements. The Group faces a variety of competitors in its sub-markets of operation and competes in each through the offering of a high quality and differentiated product. The Group operates a suite of policies that are designed to attract, develop and retain the highest calibre of staff and expertise and the Directors consider this to be a key component of its business model. The Group believes strongly in the value of diversity throughout its workforce and, through the operation of its policies, it creates a working environment that promotes dignity and respect, where individual differences and the contributions of employees are recognised and valued.

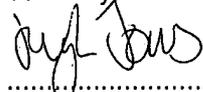
It is a continuing objective of the Group to achieve significant growth in revenues and profitability outside of the UK, to improve overall resilience and performance. The Group considers that its ability to combine expertise from a variety of geographies and disciplines into integrated project teams provides additional value to its client base. Specifically, the Group has secured significant growth in North America and is targeting further growth, including through acquisition where the Directors consider it appropriate.

Financial key performance indicators

The Group uses a range of performance measures to monitor and manage the business. Alongside financial indicators, management employs KPIs relating to staff productivity, staff satisfaction, as measured through a staff survey, as well as indicators relating to staff turnover and professional development. Financial indicators used by the Group relate to levels of billing, working capital management, project profitability and work-winning, along with more aggregate key performance outcomes which are set out below for 2020 and 2019:

	2020	2019
	£'000	£'000
Turnover	54,836	53,926
Operating profit	2,700	2,074
Profit before tax	2,715	2,088
Net assets	21,700	19,790
Average staff numbers	457	439

This report was approved by the Board and authorised for issue on 14 August 2020 and signed on its behalf by



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H Jones
Director

STEER DAVIES & GLEAVE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors are pleased to present their annual report together with the financial statements and the auditor's report for the year ended 31 March 2020.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and future developments

The principal activity of the Group is the provision of consulting services to the transport, infrastructure and related sectors. The Group supports clients in numerous locations and has offices in Europe, Asia, North America and South America. At 31 March 2020, the Group employed 466 employees (31 March 2019: 460).

The Group is headquartered in London and operates internationally through both branches and subsidiary businesses. The Group's branches are in Chile, Colombia, Italy, Panama, Peru and Puerto Rico, which together with the UK, form the 'Company'. The Group's subsidiary operations are in Belgium, Brazil, Canada, Chile, India, Mexico and USA.

The Group will continue to follow its strategy of offering high quality consultancy to its chosen markets to attract and retain clients in addition to adding complementary services to its offering.

STEER DAVIES & GLEAVE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Results

The profit for the year, after taxation, amounted to £2,478,902 (2019: £1,847,428).

In accordance with existing Company policy, the Directors do not recommend the payment of a dividend (2019: £nil) and the retained profit has been transferred to reserves. The Company rewarded staff under its discretionary Annual Bonus Scheme and its Long-Term Incentive Plan ('LTIP'). The total of these accrued charges were £1,812,058, included in administrative expenses, for the year ended 31 March 2020 (2019: £1,831,406).

Directors

The directors who served during the financial year were:

H Jones
S J Daly
C Browning (appointed 21 May 2019)
J L Lawrence (resigned 28 April 2020)
W Pike
J K Steer
R J Fenning (appointed 21 January 2020)
S Hewitt (resigned 1 April 2019)

Events since the end of the year

The company has decided to close its Brazilian subsidiary during the 2020/21 financial year.

John Lawrence resigned as a Company Director on 28 April 2020.

As a result of the Covid-19 pandemic, the directors have taken mitigating action both temporary and more permanent, with the objective to reduce levels of operational costs across the Group and be able maintain operations whilst subject to containment and restriction measures.

Existence of branches outside the United Kingdom

The Company has six branches outside of the United Kingdom. These branches are in Chile, Colombia, Italy, Panama, Peru and Puerto Rico.

Financial instruments

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into consideration by local business practices. Each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions.

STEER DAVIES & GLEAVE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Financial instruments (continued)

A significant amount of cash is held with the following institutions:

	Rating at 31 March 2020	Balance at 31 March 2020	Rating at 31 March 2019	Balance at 31 March 2019
RBS	A-	£10,282,254	A-	£7,831,767
HSBC	AA-	£343,770	AA-	£1,128,900

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives full year cash flow projections on a quarterly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down on its agreed £1,000,000 committed credit facility.

Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Cash flow interest rate risk

The Company has no outstanding debt as at 31 March 2020 (2019: £nil). Local operations are not permitted to borrow long-term from external sources.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities engage in transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. The Group seeks to structure contracts to minimise exchange rate risk where possible, and where not possible the Group monitors the net exposure and takes appropriate action which may include arranging forward contracts.

The Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

As at 31 March 2020, the Company did not have any outstanding forward contracts.

Qualifying third party indemnity provisions

The Company has arranged qualifying third-party indemnity for all Directors.

STEER DAVIES & GLEAVE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Employee involvement

The Directors consider that a key strength of the Group is its staff. The Group believes strongly in maintaining high levels of employee engagement and communication as well as ensuring that staff are incentivised and supported to attain personal and Group objectives.

The Company has created, through the establishment of its Mission & Principles and the Voting Trust arrangements, an exceptional standard of behaviours, transparency and scrutiny in the Company. The purpose of this is to enhance the Company's performance, its ability to provide outstanding service to global clients and to be a desirable place to work. The Voting Trust is governed by its trustees, whose duties include monitoring and reporting on the compliance of the Company and the Board of Directors with the Mission & Principles.

Disabled employees

The Group is committed to providing equal opportunities in employment. The employment of disabled persons is included in this commitment and the decisions on recruitment, reward, career development and advancements of disabled persons are based on the abilities and aptitude of the individual and on objective and role specific criteria.

Disclosure of information to auditors

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

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

Charitable donations

The Group made charitable donations of £3,722 during the year (2019: £1,226).

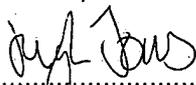
Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Corporate Governance

The Group operates an established corporate governance framework appropriate for the size and nature of the Group that is overseen by the Board of Directors. The effectiveness of the Board of Directors and its Committees are reviewed on an annual basis.

This report was approved by the Board on 14 August 2020 and signed on its behalf by



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H Jones
Director

STEER DAVIES & GLEAVE LIMITED

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF STEER DAVIES & GLEAVE LIMITED

Opinion

We have audited the financial statements of Steer Davies & Gleave Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise Consolidated Income Statement, the Consolidated Statement of Total Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

STEER DAVIES & GLEAVE LIMITED

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF STEER DAVIES & GLEAVE LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Responsibilities of Directors

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

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

STEER DAVIES & GLEAVE LIMITED

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF STEER DAVIES & GLEAVE LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Mark RA Edwards (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

14 August 2020.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STEER DAVIES & GLEAVE LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
TURNOVER	2	54,836,377	53,926,087
Cost of sales		<u>(42,063,285)</u>	<u>(42,227,345)</u>
GROSS PROFIT		12,773,092	11,698,742
Administrative expenses		<u>(10,439,292)</u>	<u>(9,630,709)</u>
Other operating income	3	<u>366,356</u>	<u>5,878</u>
OPERATING PROFIT	4	2,700,156	2,073,911
Interest receivable and similar income		15,457	13,828
Interest payable and similar charges	8	<u>(559)</u>	<u>(110)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,715,054	2,087,629
Tax on profit on ordinary activities	10	<u>(236,152)</u>	<u>(240,201)</u>
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>2,478,902</u>	<u>1,847,428</u>

All amounts relate to continuing operations.

The notes on pages 24 to 48 form part of these financial statements.

STEER DAVIES & GLEAVE LIMITED

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
Profit for the financial year attributable to owners of the Company	2,478,902	1,847,428
Currency translation differences	<u>(448,825)</u>	<u>(16,220)</u>
Total comprehensive income	<u>2,122,863</u>	<u>1,831,208</u>

STEER DAVIES & GLEAVE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

			2020		2019
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	12		983,691		919,362
Investments	13		<u>4</u>		<u>4</u>
			983,695		919,366
CURRENT ASSETS					
Debtors	14	19,733,701		17,131,624	
Cash at bank and in hand		<u>12,271,998</u>		<u>11,696,859</u>	
		32,005,699		28,828,483	
CREDITORS: Amounts falling due within one year	15		<u>(10,664,426)</u>		<u>(9,590,212)</u>
NET CURRENT ASSETS			<u>21,341,273</u>		<u>19,238,271</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			22,324,968		20,157,637
CREDITORS: Amounts falling due after more than one year	16		(154,727)		(134,541)
PROVISIONS FOR LIABILITIES	18		(549,129)		(233,115)
NET ASSETS			<u>21,621,112</u>		<u>19,789,981</u>
CAPITAL AND RESERVES					
Called up share capital	19		50,583		50,583
Share premium account	21		70,413		70,413
EBT share reserve	21		(6,786,005)		(6,835,900)
Capital redemption reserve	21		10,000		10,000
Option reserve	20		6,766		6,730
SIP share reserve	21		(1,676,168)		(1,278,883)
Profit and loss account	21		29,945,523		27,767,038
SHAREHOLDERS' FUNDS			<u>21,621,112</u>		<u>19,789,981</u>

The notes on pages 24 to 48 form part of these financial statements:

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 14 August 2020.



H Jones
Director



C Browning
Director

STEER DAVIES & GLEAVE LIMITED

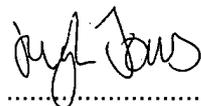
COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	£	2020 £	£	2019 £
FIXED ASSETS					
Tangible assets	12		689,200		730,882
Investments	13		<u>700,217</u>		<u>700,217</u>
			1,389,417		1,431,099
CURRENT ASSETS					
Debtors	14	13,451,919		13,020,707	
Cash at bank and in hand		<u>11,152,619</u>		<u>8,791,700</u>	
		24,604,538		21,812,407	
CREDITORS: Amounts falling due within one year	15		<u>(8,351,456)</u>		<u>(7,534,045)</u>
NET CURRENT ASSETS			<u>16,253,082</u>		<u>14,278,362</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			17,642,499		15,709,461
CREDITORS: Amounts falling due after more than one year	16		(154,727)		(134,541)
PROVISIONS FOR LIABILITIES	18		(549,129)		(233,115)
NET ASSETS			<u><u>16,938,641</u></u>		<u><u>15,341,805</u></u>
CAPITAL AND RESERVES					
Called up share capital	19		50,583		50,583
Share premium account	21		70,413		70,413
EBT share reserve	21		(6,786,005)		(6,835,900)
Capital redemption reserve	21		10,000		10,000
Option reserve	20		6,766		6,730
SIP share reserve	21		(1,676,168)		(1,278,883)
Profit and loss account	21		25,263,052		23,318,862
SHAREHOLDERS' FUNDS			<u><u>16,938,641</u></u>		<u><u>15,341,805</u></u>

The Company profit after taxation for the year was £2,015,530 (2019: £448,079).

The notes on pages 24 to 48 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 14 August 2020.



.....
H Jones
Director



.....
C Browning
Director

STEER DAVIES & GLEAVE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Group Operating Profit		2,700,156	2,073,911
Depreciation	12	479,600	448,563
Loss on disposal of tangible fixed assets	12	2,758	19,948
Share based payment charges		41,441	33,390
(Increase)/decrease in debtors	14	(2,896,486)	1,121,602
Increase in creditors	15	1,094,400	1,143,606
Increase/(decrease) in provisions	18	316,014	(36,042)
Cash from operations		1,737,883	4,804,978
Interest paid		(559)	(110)
Taxation paid		(86,709)	(2,261)
Net cash inflow from operating activities		1,650,615	4,802,607
Cash flows from investing activities			
Purchases of tangible fixed assets	12	(546,597)	(480,943)
Interest received		15,457	13,828
Net cash flows used in investing activities		(531,140)	(467,115)
Cash flows from financing activities			
Purchase of own shares		(848,365)	(861,103)
Sale of own shares		283,617	292,380
Net cash flows used in financing activities		(564,748)	(568,723)
Net increase/(decrease) in cash and cash equivalents		554,727	3,766,769
Cash and cash equivalents at beginning of year		11,696,859	8,004,229
Effect of foreign exchange changes		20,412	(74,139)
Cash and cash equivalents at end of year		12,271,998	11,696,859
Cash and cash equivalents comprise:			
Cash at bank and in hand		12,271,998	11,696,859
		12,271,998	11,696,859

The notes on pages 24 to 48 form part of these financial statements.

STEER DAVIES & GLEAVE LIMITED

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

Group – current year	Share capital £	Share premium £	EBT share reserve £	Capital redemption reserve £	Option reserve £	SIP share reserve £	Profit and loss account £	Total equity £
Balance at 1 April 2019	50,583	70,413	(6,835,900)	10,000	6,730	(1,278,883)	27,767,038	19,789,981
Profit for the year	-	-	-	-	-	-	2,478,902	2,478,902
Currency translation differences	-	-	-	-	-	-	(448,826)	(448,826)
Total comprehensive income for the year	-	-	-	-	-	-	2,030,076	2,030,076
Contributions by and distributions to owners								
Share scheme charges	-	-	-	-	-	-	41,246	41,246
Purchase of Ordinary shares	-	-	(175,326)	-	-	(514,465)	-	(689,791)
Proceeds from disposal of shares	-	-	170,281	-	-	113,336	-	283,617
Profit / loss on disposal of shares	-	-	(110,848)	-	-	3,844	107,004	-
Purchase of B shares	-	-	(158,574)	-	-	-	-	(158,574)
Share based payments	-	-	-	-	195	-	-	195
Options exercised	-	-	-	-	(159)	-	159	-
Transfer of beneficial interest to employees	-	-	324,362	-	-	-	-	324,362
Total contributions by and distributions to owners	-	-	49,895	-	36	(397,285)	148,409	(198,945)
Balance at 31 March 2020	50,583	70,413	(6,786,005)	10,000	6,766	(1,676,168)	29,945,523	21,621,112

The notes on pages 24 to 48 form part of these financial statements.

STEER DAVIES & GLEAVE LIMITED

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

Group – prior year	Share capital £	Share premium £	EBT share reserve £	Capital redemption reserve £	Option reserve £	SIP share reserve £	Profit and loss account £	Total equity £
Balance at 1 April 2018	50,583	70,413	(6,108,875)	10,000	33,915	(1,109,245)	25,566,553	18,513,344
Profit for the year	-	-	-	-	-	-	1,847,428	1,847,428
Currency translation differences	-	-	-	-	-	-	(16,220)	(16,220)
Total comprehensive income for the year	-	-	-	-	-	-	1,831,208	1,831,208
Contributions by and distributions to owners								
Share scheme charges	-	-	-	-	-	-	31,472	31,472
Purchase of Ordinary Shares	-	-	(421,195)	-	-	-	-	(421,195)
Proceeds from disposal of shares	-	-	175,801	-	-	116,579	-	292,380
Profit / loss on disposal of shares	-	-	(88,748)	-	-	(9,486)	98,233	-
Purchase of B shares	-	-	(163,177)	-	-	(276,731)	-	(439,908)
Share based payments	-	-	-	-	1,918	-	-	1,918
Options exercised	-	-	-	-	(29,155)	-	29,155	-
Transfer of beneficial interest to employees	-	-	(229,706)	-	52	-	210,417	(19,237)
Total contributions by and distributions to owners	-	-	(727,025)	-	(27,185)	(169,638)	369,277	(554,571)
Balance at 31 March 2019	50,583	70,413	(6,835,900)	10,000	6,730	(1,278,883)	27,767,038	19,789,981

The notes on pages 24 to 48 form part of these financial statements.

STEER DAVIES & GLEAVE LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

Company – current year	Share capital £	Share premium £	EBT share reserve £	Capital redemption reserve £	Option reserve £	SIP share reserve £	Profit and loss account £	Total equity £
Balance at 1 April 2019	50,583	70,413	(6,835,900)	10,000	6,730	(1,278,883)	23,318,862	15,341,806
Profit for the year	-	-	-	-	-	-	2,015,530	2,015,530
Currency translation differences	-	-	-	-	-	-	(219,749)	(219,749)
Total comprehensive income for the year	-	-	-	-	-	-	1,795,781	1,795,781
Contributions by and distributions to owners								
Share scheme charges	-	-	-	-	-	-	41,246	41,246
Purchase of ordinary shares	-	-	(175,326)	-	-	(514,465)	-	(689,791)
Proceeds from disposal of shares	-	-	170,281	-	-	113,336	-	283,617
Profit / loss on disposal of shares	-	-	(110,848)	-	-	3,844	107,004	-
Purchase of B shares	-	-	(158,574)	-	-	-	-	(158,574)
Share based payments	-	-	-	-	195	-	-	195
Options exercised	-	-	-	-	(159)	-	159	-
Transfer of beneficial interest to employees	-	-	324,362	-	-	-	-	324,362
Total contributions by and distributions to owners	-	-	49,895	-	36	(397,285)	148,409	(198,945)
Balance at 31 March 2020	50,583	70,413	(6,786,005)	10,000	6,766	(1,676,168)	25,263,052	16,938,641

The notes on pages 24 to 48 form part of these financial statements.

STEER DAVIES & GLEAVE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

Company – prior year	Share capital £	Share premium £	EBT share reserve £	Capital redemption reserve £	Option reserve £	SIP share reserve £	Profit and loss account £	Total equity £
Balance at 1 April 2018	50,583	70,413	(6,108,875)	10,000	33,915	(1,109,245)	22,629,948	15,576,739
Profit for the year	-	-	-	-	-	-	448,079	448,079
Currency translation differences	-	-	-	-	-	-	(128,442)	(128,442)
Total comprehensive income for the year	-	-	-	-	-	-	319,637	319,637
Contributions by and distributions to owners								
Share scheme charges	-	-	-	-	-	-	31,472	31,472
Purchase of ordinary shares	-	-	(421,195)	-	-	-	-	(421,195)
Proceeds from disposal of shares	-	-	175,801	-	-	116,579	-	292,380
Profit / loss on disposal of shares	-	-	(88,748)	-	-	(9,486)	98,233	-
Purchase of B shares	-	-	(163,177)	-	-	(276,731)	-	(439,908)
Share based payments	-	-	-	-	1,918	-	-	1,918
Options exercised	-	-	-	-	(29,155)	-	29,155	-
Transfer of beneficial interest to employees	-	-	(229,706)	-	52	-	210,417	(19,237)
Total contributions by and distributions to owners	-	-	(727,025)	-	(27,185)	(169,638)	369,277	(554,571)
Balance at 31 March 2019	50,583	70,413	(6,835,900)	10,000	6,730	(1,278,883)	23,318,862	15,341,806

The notes on pages 24 to 48 form part of these financial statements.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES

1.1 Basis of preparation

Steer Davies & Gleave Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the Group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. See note 1.22.

Company disclosure exemptions

In preparing the separate financial statements of the Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the Company would be identical;
- No cash flow statement has been presented for the Company;
- Disclosures in respect of the Company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included in the totals for the Group as a whole

Going concern

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks of the business and having considered the severe but plausible downside scenario resulting from the COVID 19 pandemic and its impact on the global economy.

Whilst this crisis is constantly evolving, making accurate forecasting and planning difficult, we have prepared cashflow forecasts which consider a number of downside scenarios of the effect on our revenues, profits and cashflows over an 18-month period. The directors have considered the current COVID 19 environment, the considerable effects on the transportation, infrastructure and associated consultancy markets and a variety of economic forecasts of the likely detrimental effect on the global economy over the longer term in the preparation of these forecasts. We have considered that we remain fully operational in all of our major markets and regions but we have tested scenarios in which our global revenues in the next 12 months decline significantly (between 20 – 40% from targets and prior year revenues).

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

As a result of the forecasts prepared and in light of recent trading and expected trading levels, the directors have taken mitigating action both temporary and more permanent, with the objective to reduce levels of operational costs across the Group and be able to maintain operations whilst subject to containment and restriction measures.

With the cost reduction measures already taken and the strong balance sheet position, including significant free cash balances, despite the significant drops in global revenue creating a negative effect on Group profitability, in all scenarios, including the most severe but plausible downside scenario considered, we have identified that the Group is capable of remaining free of external financing or debt and retains sufficient headroom above operational cash levels to withstand some level of further, as yet unknown, shock should it arise. Based on current levels of new project wins and with the benefit of the information provided from a comprehensive set of forward revenue indicators providing clarity over likely revenue levels in the next 12 months, the Directors are satisfied that the mitigating actions taken ensure that the Group's obligations can be met as they fall due for a period of at least 12 months from the date of approval of the financial statements. Should it be necessary, the Directors are also satisfied that there are further mitigating actions within their control which could be taken.

Consequently, the Directors are satisfied that financial statements should be prepared on a going concern basis.

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of Steer Davies & Gleave Limited and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (continued)

1.3 Turnover

Turnover comprises revenue recognised by the Group in respect of services supplied during the year, exclusive of Value Added Tax. In addition, turnover includes fees on long-term contracts calculated as a proportion of total contract value based on the percentage stage of completion, or on the basis of unbilled work carried out to date, dependent on the nature of the individual contract.

1.4 Depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided on tangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Computer equipment	- 20% - 50% per annum on cost
Furniture and fittings	- 10% - 33% per annum on cost
Short-term leasehold property	- Higher of 10% per annum or over lease term

1.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.6 Impairments

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.7 Operating leases

Rentals payable under operating leases are charged to the income statement account on a straight-line basis over the lease term. Incentives received to enter into operating lease agreements are released to the income statement over the lease term. Rentals receivable under operating leases are credited to the income statement on a straight - line basis over the terms of the lease.

1.8 Dilapidation provision

Provision is made for dilapidations, where there is an obligation under property leasing arrangements. These provisions require management's best estimate of the costs that will be incurred based on contractual requirements. The cost is charged to profit and loss as the obligation arises.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (continued)

1.9 Share based employee remuneration

When shares and share options are awarded to employees a charge is made which is spread over the vesting period to the income statement based on the valuation at the date at which the shares or options are granted according to the Black Scholes Option Pricing Model in accordance with FRS 102 'Share-based payments'.

Where the transaction is treated as equity settled the credit entry is taken to the share option reserve and reported in the statement of changes in equity. Where the transaction is treated as cash settled, the Company recognises the services received, and a liability to pay for those services, as the employees render service. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value charged or credited to the income statement for the year.

1.10 Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the reporting date. The charge for taxation is based on the profit or loss for the period and takes into account deferred tax.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The Company employs the services of a third-party advisor in relation to R&D tax credits and seeks to make claims based on its entitlement under current HMRC guidance. These are recognised where there is a reasonable expectation of a claim being settled.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (continued)

1.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the Company's functional and the Group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at closing rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Forward contracts accounting

Forward foreign currency contracts are used to reduce exposure to foreign exchange rates. The Group seeks to hedge exposure arising from customers that are being invoiced in a foreign currency whilst the work is delivered from a sterling cost base, and where significant financial assets and liabilities are denominated in a foreign currency. The fair value of these hedges is recognised through the income statement if it is material.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income'.

1.12 Liquid resources

For the purposes of the statement of cash flows, liquid resources are defined as current asset investments and short-term deposits.

1.13 Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (continued)

1.14 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

1.15 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is estimated in order to appropriately reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

1.16 Onerous contracts

Where the unavoidable costs of a contract exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the contract.

1.17 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. Contributions to the Company's defined contribution pension scheme are charged in the income statement as they become payable. The assets of the scheme are held separately from those of the Group in independently administered funds.

1.18 Employee benefit trust

The Company is deemed to have control of the assets, liabilities, income and costs of its Employee Benefit Trust (EBT). The cost of the Company's shares purchased for cash and held by the EBT is deducted from shareholders' funds in the Company's statement of financial position.

1.19 Share incentive plan

The Company is deemed to have control of the assets, liabilities, income and costs of its Share Incentive Plan (SIP). The cost of the Company's shares held by the SIP is deducted from shareholders' funds in the Company's statement of financial position. The SIP holds shares until they have vested fully with employees at which point they are no longer recognised in the SIP and the corresponding profit or loss on disposal is recognised in reserves.

1.20 Holiday pay accrual

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

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (continued)

1.21 Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- EBT share reserve represents the cost of the shares of the Company held by the Employee Benefit Trust (EBT) for the purpose of future employee ownership and long-term incentive schemes for employees.
- The capital redemption reserve contains the nominal value of own shares that have been acquired by the Company and cancelled.
- The option reserve arises on the grant of share options to directors, employees and other eligible persons.
- The SIP share reserve represents the cost of the shares of the Company held by the Share Incentive Plan (SIP) for the purpose of long-term incentive schemes for employees.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

1.22 Critical estimates and judgements

Revenue recognition

Revenue in relation to work in progress is recognised in similar ways for fixed price contracts and time and material contracts. For fixed price contracts, the revenue recognition rate (RRR) is applied to the costs incurred to date and this is the revenue recognised. The RRR is determined for each business unit to reflect the expected average closed margin for projects in that business unit. The revenue recognised is capped at the agreed client budget. For time and material contracts, the RRR is only applied to unbilled costs incurred to date because revenue is taken as invoices are raised. These methods are dependent on judgemental inputs in relation to the RRR and the completion rate.

Onerous contracts

Where the unavoidable costs of a contract exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the contract. This is based on our estimates of the costs to complete the contract and is released as these costs are incurred.

Investments

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments at fair value through the income statement. In determining this amount, the Group applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (continued)

1.22 Critical estimates and judgements (continued)

Share valuations

The Directors' best estimate of the valuations underlying the share based payments are based on assumptions made by Directors using the Black Scholes model. Those assumptions are described in the notes to the financial statements and include, among others, expected volatility, expected life of the options and number of options expected to vest. See note 21 for further details of these assumptions.

In preparing these financial statements, the Directors have also:

Determined that the Employee Benefit Trust (EBT) and Share Incentive Plan (SIP) are considered to be under the control or de facto control of the Company. The judgement that the Company does exert de facto control has resulted in both the EBT's and the SIP's assets and liabilities being recognised on the Company and Consolidated statements of financial position.

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2 TURNOVER

Turnover is wholly attributable to the principal activity of the Group.

Analysis of fees earned by geographical markets has been excluded as the Directors consider such disclosure would be prejudicial to the interest of the Group.

Fees earned and profit on ordinary activities are attributable to one continuing activity, the provision of consultancy services to the public and private sector.

3. OTHER OPERATING INCOME

	2020	2019
	£	£
Rental income	<u>366,557</u>	<u>5,878</u>

4. OPERATING PROFIT

The operating profit is stated after charging / (crediting):

	2020	2019
	£	£
Depreciation of tangible fixed assets:		
- owned by the Group	479,600	448,563
Operating lease rentals:		
- plant and machinery	12,269	13,702
- other operating leases	2,201,841	2,109,012
Foreign currency losses	112,454	7,354
Loss on disposal of tangible fixed assets (note 12)	2,758	19,948
Net movement in provisions (note 18)	(316,014)	(36,042)
LTIP charges	20,186	230,648
Share scheme charges	<u>64,042</u>	<u>56,186</u>

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. AUDITORS' REMUNERATION

	2020	2019
	£	£
Audit related services	69,500	66,000

6. STAFF COSTS

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Wages and salaries	27,925,294	27,133,668	19,078,714	18,353,424
Social security costs	2,334,631	2,370,415	1,695,593	1,786,476
Other pension costs	1,508,592	1,371,350	1,312,167	1,195,551
	31,768,517	30,875,433	22,086,474	21,335,451

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

	2020	2019
	No.	No.
Employees	457	439

The value included within wages and salaries in respect of the LTIP and share scheme charges is £20,827 and £64,042 respectively (2019: £230,648 and £56,186 respectively).

7. DIRECTORS' REMUNERATION

Group and Company	2020	2019
	£	£
Remuneration	712,033	1,000,316
Company pension contributions to defined contribution pension schemes	45,703	24,717

During the year, retirement benefits were accrued to 3 directors (2019: 4) in respect of defined contribution pension schemes. To maintain contributions within annual pension allowances, 1 director (2019: 2) elected to partially re-direct contributions to be paid through wages and salaries. These payments were subject to income tax and social security at the prevailing rates.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. DIRECTORS' REMUNERATION (continued)

In addition to the above, charges to the income statement account in respect of the LTIP and Share scheme charges for directors were £22,738 and £nil respectively (2019: £22,870 and £nil respectively).

The highest paid director received remuneration of £241,579 (2019: £313,618) and Group pension contributions of £10,000 (2019: £10,297) were made to a money purchase scheme on their behalf. The amounts included within the above figure in relation to bonuses represent amounts accrued in relation to the performance in the financial year ended 31 March 2020.

Long term incentive schemes

The number of Directors who exercised share options during the year were nil (2019: 3) and the gain made on exercise was £nil (2019: £64,176). The amount charged to the income statement during the year in respect of options exercised and sold by the Directors was £nil (2019: £28,641). At 31 March 2020, none of the Directors (2019: 0) held options. Further details are disclosed in note 21.

The Company operates a long-term incentive plan (LTIP) for senior staff including the directors, which operated via the allocation of restricted share option units (RSUs). The allocation of RSUs is dependent on performance criteria for each of the scheme's participants being achieved. These RSUs are ultimately linked to the Company's share price. The LTIP is accounted for as a cash-settled scheme in accordance with the Group's accounting policies, valued using the Black Scholes pricing model.

The scheme was first introduced in the financial year ended 31 March 2013 (2012 plan).

The articles were updated in August 2014 to allow for the creation of a new class of (B) shares to satisfy the LTIP share awards. Forfeitable share awards were granted in respect of the 2013 and 2014 LTIP allocations. The allocations vested on 31 July 2015 when the restrictions on the forfeitable share awards lifted, thereby granting participants a beneficial interest that could be sold in future share trading windows.

During the financial year ended 31 March 2019, a fourth long term incentive plan (LTIP) (see note 21) was introduced for senior staff including the Executive Directors, which operated via the allocation of restricted share option units which will vest in 2021. A third long term incentive plan was introduced in the year ended 31 March 2017 which will vest in 2019. A second LTIP Plan was introduced in the year ended 31 March 2014 (2014 plan) under the same terms as the previous plan, which vested in 2017.

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
Bank interest payable	162	-
Other interest payable	398	110
	<u>560</u>	<u>110</u>

9. FORWARD CONTRACTS

As at 31 March 2020, the Group had no forward contracts.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2020 £	2019 £
Current tax		
UK corporation tax credit	(103,525)	(300,728)
Adjustments in respect of prior periods	(43,221)	(210,348)
	(146,746)	(511,076)
UK corporation tax credit		
Foreign tax on income for the year	479,661	723,795
Foreign tax adjustments in respect of prior periods	(108,438)	-
Total current tax charge	224,477	212,719
Deferred tax		
Reversal and origination of timing differences	31,334	29,703
Effect of tax rate change on opening balance	(10,325)	-
Adjustments in respect of prior periods	(9,334)	(2,221)
Total deferred tax	11,675	27,482
Total tax charge on profit on ordinary activities	236,152	240,201

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before taxation	2,715,054	2,087,629
Standard rate corporation tax charge	515,861	396,650
Expenses not deductible for tax purposes	19,789	(31,667)
Adjustments to tax in respect of prior periods	(151,659)	(210,348)
Rate adjustments relating to overseas profits	360,862	489,562
Depreciation for the period less than capital allowances	14,727	13,589
Adjustments in relation to share based payments	-	(22,046)
Research and development	(540,820)	(400,671)
Other timing differences	17,393	5,132
Total tax charge for the year	236,152	240,201

Factors that may affect future tax charges

The tax assessed on future profits on ordinary activities will be subject to changing tax rates in current regions in which the Group operates, and the existence of double taxation treaties with new regions which the Group may expand into.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11. INCOME STATEMENT OF THE COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company are not presented as part of these financial statements. The Company has produced its own income statement and statement of comprehensive income for approval by the Directors. The Company's profit after taxation for the year was £2,001,273 (2019: £448,079).

12. TANGIBLE FIXED ASSETS

Group	Short-term leasehold property £	Furniture and Fittings £	Computer Equipment £	Total £
Cost				
At 1 April 2019	670,207	1,250,306	2,433,525	4,354,038
Additions	-	168,036	378,650	546,686
Disposals	-	-	(7,691)	(7,691)
At 31 March 2020	<u>670,207</u>	<u>1,418,342</u>	<u>2,804,484</u>	<u>4,893,033</u>
Depreciation				
At 1 April 2019	480,303	928,751	2,025,620	3,434,674
Charge for the year	77,513	66,511	335,577	479,601
On disposals	-	-	(4,933)	(4,933)
At 31 March 2020	<u>557,816</u>	<u>995,262</u>	<u>2,356,264</u>	<u>3,909,342</u>
Net book value				
At 31 March 2020	<u>112,391</u>	<u>423,080</u>	<u>448,220</u>	<u>983,691</u>
At 31 March 2019	<u>189,904</u>	<u>321,555</u>	<u>407,903</u>	<u>919,362</u>

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12. TANGIBLE FIXED ASSETS (continued)

Company	Short-term leasehold property £	Furniture and Fittings £	Computer equipment £	Total £
Cost				
At 1 April 2019	670,207	786,366	2,024,980	3,481,553
Additions	-	94,112	259,537	353,649
Disposals	-	-	(5,613)	(5,613)
At 31 March 2020	<u>670,207</u>	<u>880,478</u>	<u>2,278,904</u>	<u>3,829,589</u>
Depreciation				
At 1 April 2019	480,303	590,546	1,679,912	2,750,671
Charge for the year	77,513	100,960	216,088	394,561
On disposals	-	-	(4,933)	(4,933)
At 31 March 2020	<u>557,816</u>	<u>691,506</u>	<u>1,891,067</u>	<u>3,140,389</u>
Net book value				
At 31 March 2020	<u>112,391</u>	<u>188,972</u>	<u>387,837</u>	<u>689,200</u>
At 31 March 2019	<u>189,904</u>	<u>195,820</u>	<u>345,069</u>	<u>730,883</u>

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13. FIXED ASSET INVESTMENTS

The Company and Group have investments in the following subsidiary undertakings and unlisted investments.

Group	Unlisted Investments £	Total £
Cost and net book value		
At 1 April 2019 and 31 March 2020	<u>4</u>	<u>4</u>

The unlisted investment relates to the Group's holding in Multi-Modal Transport Solutions PTY.

Company	Investments in subsidiary companies £	Unlisted investments £	Total £
Cost and net book value			
At 1 April 2019 and 31 March 2020	<u>700,213</u>	<u>4</u>	<u>700,217</u>

The investment in subsidiary companies relate to Steer Davies & Gleave Mexico Limitada and Steer Davies Gleave India Private Limited. The current value of the investments is £532,701 and £167,512 respectively.

Group and Company

As at 31 March 2020, the Group and Company holds less than 20% of the share capital of the following Company:

Other Undertakings	Country of incorporation	Class of share capital	Principal activity
Multi-Modal Transport Solutions PTY	Australia	Ordinary (10%)	Transport consultancy

There have been no changes compared to the prior year.

Company

The Company holds the share capital of the following Company directly:

Subsidiary undertakings	Country of incorporation	Class of share capital	Principal activity
Steer Davies & Gleave Holdings Limited	United Kingdom	Ordinary (100%)	Holding company

There have been no changes compared to the prior year.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13. FIXED ASSET INVESTMENTS (continued) •

The Company holds share capital of the following Companies through Steer Davies & Gleave Holdings Limited:

Subsidiary undertakings	Registered Office	Class of share capital	Principal activity
Steer Davies & Gleave North America Incorporated	Burrard Street, Vancouver, British Columbia, Canada	Ordinary (100%)	Transport and infrastructure consultancy
Steer Davies & Gleave Incorporated	Boylston Street, Boston, Massachusetts, United States	Ordinary (100%)	Transport and infrastructure consultancy
Steer Davies & Gleave do Brasil - Consultoria em Engenharia de Transportes Ltda	Rua Bela Cintra, Consolacao, Sao Paulo, Brazil	Ordinary (100%)	Transport and infrastructure consultancy
Steer Davies & Gleave Chile Ltda	Holanda 100, Providencia, Santiago, Chile	Ordinary (100%)	Transport and infrastructure consultancy
Steer Davies & Gleave Mexico Ltda	Delegacion Benito Juarez, Mexico City, Mexico	Ordinary (100%)	Transport and infrastructure consultancy
Steer Davies Gleave India Private Limited	MG Road, Gurgaon, Haryana, India	Ordinary (100%)	Transport and infrastructure consultancy
Steer Davies & Gleave Belgium	1000 Brussels, Boulevard du Regent 37-40, Belgium	Ordinary (100%)	Transport and infrastructure consultancy

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. DEBTORS

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	12,474,185	9,482,349	8,108,751	5,700,730
Amounts owed by Group undertakings	-	-	795,582	2,078,849
Corporation Tax	393,237	675,974	205,217	610,320
Other debtors	706,003	751,576	296,360	272,051
Prepayments and accrued income	932,746	853,337	855,720	796,336
Amounts recoverable on long term contracts	5,160,771	5,289,955	3,123,531	3,483,988
Deferred tax asset (note 17)	66,758	78,433	66,758	78,433
	<u>19,733,701</u>	<u>17,131,624</u>	<u>13,451,919</u>	<u>13,020,707</u>

All amounts within debtors fall due for payment within one year. Amounts owed by Group undertakings are interest free and repayable on demand.

15. CREDITORS

Amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Payments received on account	2,463,985	2,887,597	1,735,650	2,146,080
Trade creditors	2,410,861	1,173,672	1,924,347	891,287
Other taxation and social security	1,668,815	1,337,414	1,556,913	1,182,758
Other creditors	1,282,490	844,733	1,156,711	766,159
Accruals and deferred income	2,838,275	3,346,796	1,977,836	2,547,761
	<u>10,664,426</u>	<u>9,590,212</u>	<u>8,351,456</u>	<u>7,534,045</u>

During the financial year ended March 2019 the second LTIP scheme awards were allocated to the scheme participants. The awarded restricted stock units were converted into B shares of the company at this time. The B shares are held by the participants of the scheme directly. The value of each B share is determined to be 0.570p.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

16. CREDITORS

Amounts falling due after more than one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
LTIP liability	<u>154,727</u>	<u>134,541</u>	<u>154,729</u>	<u>134,541</u>

The LTIP is valued using the Black Scholes model with inputs as disclosed in note 21.

17. DEFERRED TAX ASSET

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
As at 1 April	78,433	105,915	78,433	105,915
Other movement (P&L)	(11,675)	(27,482)	(11,675)	(27,482)
Balance at 31 March	<u>66,758</u>	<u>78,433</u>	<u>66,758</u>	<u>78,433</u>

The deferred tax asset is made up as follows:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Capital allowances	(19,499)	(7,814)	(19,499)	(7,814)
Sundry timing differences	51,042	52,364	51,042	52,364
UK tax losses	35,215	33,883	35,215	33,883
Overseas tax losses	-	-	-	-
	<u>66,758</u>	<u>78,433</u>	<u>66,758</u>	<u>78,433</u>

Deferred tax is provided at 19% (2019 - 17%).

The Group has tax losses arising in the UK of £185,345 (2019 - £199,313) which are available for offset against future taxable profits. Deferred tax assets have been recognised in respect of these losses as it is considered probable that sufficient future taxable profits will be available against which they can be realised.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

18. PROVISIONS

Group and Company	Other provisions £	Dilapidation provision £	Onerous contracts £	Total £
At 1 April 2019	-	190,812	42,303	233,115
Additions	175,000	220,000	-	395,000
Provision utilised	-	(36,683)	(42,303)	(78,986)
At 31 March 2020	175,000	374,129	-	549,129

Dilapidation provision

As part of the Group's property leasing arrangements there is an obligation to repair damages which have been incurred during the life of the lease. The provision is expected to be utilised between 2020 and 2021 as the lease terminates.

19. SHARE CAPITAL

	2020 £	2019 £
4,728,274 (2019: 4,728,274) Ordinary shares of 1p each	47,283	47,283
330,000,000 (2019: 330,000,000) B shares of 0.001p each	3,300	3,300
	50,583	50,583

All ordinary shares have been allocated, called up and fully paid.

During the financial year ended March 2020, 330,000,000 B shares of 0.001p each were converted to 330,000 ordinary shares of 1p each. In addition, 120,000 ordinary shares of 1p each were converted to 120,000,000 B shares of 0.001p each.

The 120,000,000 B shares of 0.001p were created by converting 120,000 ordinary shares of 1p each which were held by the EBT. The B Shares have been created in order to satisfy the LTIP share awards under the 2016 LTIP scheme. Under the terms of the Company's articles the ordinary shares of 1p each and the B shares of 0.001p rank pari passu. At the vesting date in July 2019, the forfeiture restrictions were lifted in relation to the award of beneficial interests in B shares to participants, and participants are able to sell their beneficial interests like all other ordinary shares.

During the financial year ended March 2019, 650,000,000 B shares of 0.001p each were converted to 650,000 ordinary shares of 1p each.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

20. RESERVES

As at 31 March 2020, the Employee Benefit Trust (EBT) held 3,368,022 ordinary shares (2019: 3,157,843) and 20,608,583 B shares (2019: 261,797,583), of which 11,365 ordinary shares (2019: 11,856) were under option to employees.

As at 31 March 2020, the Share Incentive Plan (SIP) held 956,922 shares (2019: 956,922), of which 518,749 (2019: 562,035) were partnership shares which had vested fully with employees and were being held by the SIP on behalf of the employees; these shares are not recognised on the Group's statement of financial position.

Of the remaining 438,173 shares (2019: 394,887), 9,726 (2019: 9,852) are matching shares held on behalf of employees which are due to vest in October 2020 and 428,305 (2019: 385,035) are unallocated. Until such time when the matching shares vest unconditionally with the employees, the Group is deemed to have control over these shares, therefore these shares are recognised on the Group's statement of financial position.

Current Company policy is to retain all profits and not pay dividends and therefore there are no dividends associated with these shares.

The market value of the Company's shares at 31 March 2020 was 570p per share based on the external independent valuation, overseen by the share price committee as at 6 November 2019 (2019: 535p).

21. SHARE BASED PAYMENTS

The Group operates share-based payment remuneration schemes through the EBT and the SIP to facilitate wider share ownership of the Group through the distribution of beneficial interests to employees.

The Company has created, through the establishment of its Mission & Principles and the Voting Trust arrangements, an exceptional standard of behaviours, transparency and scrutiny in the Company. The purpose of this is to enhance the Company's performance, its ability to provide outstanding service to clients across the globe and to be a desirable place to work. The Voting Trust is governed by its trustees, whose duties include monitoring and reporting on the compliance of the Company and the Board of Directors with the Mission & Principles.

Employees can purchase beneficial interests from the EBT in an annual trading window between 15 November and 15 December, or from the SIP via a monthly payroll saving scheme which runs from October to the following September. All Group employees are eligible to participate in these schemes once they have completed six months' service at the Group, however there is a vesting condition for the SIP scheme beneficial interests in that the individual remains an employee of the Group over the savings period. The purchase price for beneficial interests from both schemes is the market price of the beneficial interests at the date of valuation which is notified at the latest AGM.

SIP

For every three beneficial interests purchased from the SIP, employees receive one free beneficial interest which vests after one year of additional service has been completed.

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. SHARE BASED PAYMENTS (continued)

EBT

For every three beneficial interests purchased from the EBT, employees are granted one unapproved share option which vests three months after the date of grant.

During the financial year ended 31 March 2013, a long-term incentive plan (LTIP) was introduced for senior staff including the Executive Directors, which operated via the allocation of restricted share option units. The allocation of restricted share option units is dependent on performance criteria for each of the scheme participants being achieved. The 2012 LTIP scheme vested in 2015 and subsequently some of these shares have been disposed of during the share trading window. A second LTIP scheme was introduced in the year ended 31 March 2015, which vested in 2017, a third LTIP scheme was introduced in the year ended 31 March 2017, which will vest in 2019 and a fourth LTIP scheme was introduced in the year ended 31 March 2019, which will vest in 2021.

The charge is matched to the vesting period and is allocated over a three-year period. As the Company introduces a new scheme every two years, there will be a double LTIP charge in every second year. Within the current year's results, there is a double charge for the LTIP, in relation to the third year of the 2016 scheme, and the first year of the 2018 scheme. In the previous year's results, there is one charge relating to the second year of the 2016 scheme.

FRS 102 requires that the fair value of such transactions is calculated and systematically charged to the income statement over the vesting period. Details of outstanding shares options are set out below. Also, set out below is information regarding the calculation of the share option charge and the valuation of the liability for the LTIP:

Share options

At 31 March 2020, the following share options were outstanding in respect of the ordinary shares:

Year of Grant	Number of share options	Number held by directors	Period of option	Exercise price
2017	7,687	-	March 2017 to June 2020	367p
2018	1,667	-	March 2018 to June 2021	420p
2019	1,836	-	March 2019 to June 2022	535p
2020	175	-	March 2020 to June 2023	570p
	<u>11,365</u>	<u>-</u>		

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2020

21. SHARE BASED PAYMENTS (continued)

Share options (Continued)

Movements in share options during the year were as follows:

Year of grant	Exercise Price	Outstanding options at 1 April 2019	Granted	Exercised	Lapsed	Outstanding options at 31 March 2020
2016	282p	666	-	-	(666)	-
2017	367p	7,687	-	-	-	7,687
2018	420p	1,667	-	-	-	1,667
2019	535p	1,836	-	-	-	1,836
2020	570p	-	175	-	-	175
		<u>11,856</u>	<u>175</u>	<u>-</u>	<u>(666)</u>	<u>11,365</u>

At 31 March 2019, the following share options were outstanding in respect of the ordinary shares:

Year of Grant	Number of share options	Number held by directors	Period of option	Exercise price
2016	666	-	March 2016 to June 2019	282p
2017	7,687	-	March 2017 to June 2020	367p
2018	1,667	-	March 2018 to June 2021	420p
2019	1,836	-	March 2019 to June 2022	535p
	<u>11,856</u>	<u>-</u>		

Movements in share options during the prior year were as follows:

Year of grant	Exercise Price	Outstanding options at 1 April 2018	Granted	Exercised	Lapsed	Outstanding options at 31 March 2019
2016	282p	1,848	-	(1,182)	-	666
2017	367p	8,187	-	(500)	-	7,687
2018	367p	50,700	-	(38,200)	(12,500)	-
2018	420p	1,667	-	-	-	1,667
2019	535p	-	1,836	-	-	1,836
		<u>62,402</u>	<u>1,836</u>	<u>(39,882)</u>	<u>(12,500)</u>	<u>11,856</u>

The exercise price of options outstanding at the end of the year ranged between 367p and 570p (2019 - 367p and 535p) and had a weighted average of 405p (2019 - 425p). The weighted average contractual life of options outstanding at the end of the year was 3.2 years (2019 - 3.2 years).

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. SHARE BASED PAYMENTS (continued)

Share options (Continued)

Of the total number of options outstanding at the end of the year, 9,354 (2019 – 8,353) had vested and were exercisable at the end of the year.

There were no options exercised during the year. The weighted average share price (at the date of exercise) of options exercised during the prior year was 367p. The weighted average fair value of each option granted during the year was 54p (2019 - 40p).

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by the Group. The same model, risk and volatility assumptions are used to determine the fair value of the cash settled LTIP:

	2020	2019
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (pence)	535	420
Exercise price (pence)	570	535
Weighted average contractual life (days)	1,183	1,183
Expected Volatility (percentage)	17.00	17.00
Risk-free interest rate (percentage)	0.75	0.50
Fair value of option (pence)	50	53

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of annual share prices over the last sixteen years.

22. PENSION COMMITMENTS

The Group operates several pension schemes. The pension cost charge for the period represents contributions payable by the Group to these schemes and amounted to £1,508,592 (2019: £1,371,350).

The material scheme is operated in the UK as a defined contribution pension scheme. The Company made contributions to this scheme of £1,312,167 (2019: £1,195,551).

STEER DAVIES & GLEAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

23. OPERATING LEASE COMMITMENTS

At 31 March 2020, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2020	2019
Group	£	£
Expiry date:		
Within 1 year	1,570,244	1,572,747
Between 2 and 5 years	2,747,771	2,813,214
After more than 5 years	<u>39,659</u>	<u>-</u>

As at 31 March 2020, the Company had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2020	2019
Company	£	£
Expiry date:		
Within 1 year	1,219,899	1,225,901
Between 2 and 5 years	1,255,851	2,204,162
After more than 5 years	<u>39,659</u>	<u>-</u>

24. FINANCIAL INSTRUMENTS

	Group	Group
	2020	2019
	£	£
Financial assets		
Cash	12,271,998	11,696,859
Other financial assets	<u>18,340,959</u>	<u>15,523,881</u>
Financial liabilities		
Other financial liabilities	<u>10,664,426</u>	<u>9,590,212</u>

As at 1 April 2019 and 31 March 2020, the Company had no foreign exchange forward contracts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

25. RELATED PARTY TRANSACTIONS

During the year, the Group provided services to the value of £2,783 to Greengauge 21, a Company with a common director (2019: £nil). A balance of £nil was outstanding at the year-end (2019: £nil).

The Company has taken advantage of the exemption under FRS 102 paragraph 33.1A, not to disclose transactions with Group companies on the basis that it is 100% controlled within the Group and prepares consolidated financial statements.

Key management personnel include all Directors and several senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group was £1,153,695 (2019: £1,611,550).

26. SUBSEQUENT EVENTS

The company has decided to close its Brazilian subsidiary during the 2020/21 financial year.

As a result of the Covid-19 pandemic, the directors have taken mitigating action both temporary and more permanent, with the objective to reduce levels of operational costs across the Group and be able maintain operations whilst subject to containment and restriction measures.

27. ULTIMATE CONTROLLING PARTY

Due to its current shareholding, the ultimate controlling party is the trustee of the Employee Benefit Trust.