Company Registration No. 02136404 (England and Wales)

WSP GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

WSP GROUP LIMITED

COMPANY INFORMATION

Directors	P Dollin M Barnard
Secretary	K Sewell
Company number	02136404
Registered office	WSP House 70 Chancery Lane London WC2A 1AF
Independent auditor	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

WSP GROUP LIMITED

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WSP GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic Report on WSP Group Limited (the "Company") for the year ended 31 December 2018.

Principal activities and business review
The Company is as an intermediate holding company within an international group of companies, supplying specialist management and integrated services in the built and natural environment. No major changes in the activity of the Company are envisaged in the future.

The operating profit for the financial year was £1,277,000 (2017: £4,358,000).

The Company is a subsidiary of WSP Global Inc., which heads an international group of companies. WSP Global Inc. and its subsidiaries are hereinafter collectively referred to as the "Group". Further discussion of the Group's principal activities together with a business review of the Group, which includes the Company, is included in the section entitled "Management's Discussion and Analysis" of the WSP Global Inc. 2018 Annual Report, which does not form part of this report. The consolidated financial statements of WSP Global Inc. are available to the public and may be obtained from the website, www.wsp.com.

Principal risks and uncertainties
The Company is financed by variable rate loans from other WSP Global Inc. group companies. The Company is exposed to a number of financial market risks including credit risk, liquidity risk, fluctuations in foreign exchange rates and interest rates. Although the Company takes steps to manage its own financial risks, the directors of WSP Global Inc. manage the Group's principal risks (including financial risks) and uncertainties at a Group level, rather than on an individual company basis. For this reason, the Company's directors consider that a discussion of the Group's risks would not be necessary for an understanding of the performance of the Company's business. The principal risks and uncertainties of WSP Global Inc., which include those of the Company, are included in the section entitled "Management's Discussion and Analysis" of the WSP Global Inc. 2018 Annual Report, which does not form part of this report.

Key performance indicators
The directors consider that income, gross profit and cash flows from operating activities assist in providing an understanding of the development and performance or position of the Company's business and believe that an analysis using other key performance indicators for the Company is not necessary or appropriate.

The development, performance and position of the Group, which includes the Company, is discussed in the section entitled "Management's Discussion and Analysis" of the WSP Global Inc. 2018 Annual Report, which does not form part of this report.

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

M Barnard
Director
26 September 2019

The directors present their report and audited financial statements for the year ended 31 December 2018.

Results and dividends
The results for the year are set out on page 7.

Dividends were paid amounting to £3,600,000 (2017: £3,600,000). The directors do not recommend the payment of a final dividend for the financial year ended 31 December 2018.

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

P Dollin
M Barnard

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

Financial instruments
The Company's operations expose it to small levels of financial risk that include the effects of currency, price, credit, liquidity and interest rate risk. The Company is reliant on the Group to manage a number of the key financial risks that may affect the performance of the Company. The risks are reviewed and monitored by the directors throughout the year, using established policies and procedures that have been determined in line with guidelines issued by the parent company. The Company had no currency swaps, derivatives or designated hedging instruments as at 31 December 2018 and 31 December 2017.

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

Post reporting date events
There were no post balance sheet date events.

Future developments
No major changes in the activity of the Company are envisaged in the future.

Environment
Sustainability is a WSP core value, and we are committed to integrating sustainability into all our activities. In this way we ensure that we implement our clients' projects in a sustainable manner.

WSP's services to protect the environment include remediating contaminated land, reducing our dependence on fossil fuels and increasing social sustainability. We have developed a number of tools to measure and analyse the environmental impact of our clients' activities. We work for clients in both the public and private sectors, including large and small companies, municipalities and government agencies.

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

Statement of disclosure to auditor

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

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

On behalf of the board

M Barnard
Director
26 September 2019

WSP GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of WSP Group Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 September 2019

WSP GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Dividend income		3,600	6,115
Administrative expenses		(2,323)	(1,757)
Operating profit	**4**	1,277	4,358
Finance income	**5**	3,346	3,144
Finance costs	**6**	(188)	(342)
Profit before taxation		4,435	7,160
Income tax expense	**7**	(450)	(548)
Profit and total comprehensive income for the year		3,985	6,612

The above results all relate to continuing operations.

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

WSP GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investments	9	260,485	262,038
Deferred tax asset	14	73	523
		260,558	262,561
Current assets			
Loans and other receivables	11	70,859	70,078
Total assets		331,417	332,639
Current liabilities			
Loans and other payables	13	5,422	4,820
Current tax liabilities		2,717	2,717
Financial liabilities	12	28,704	30,854
		36,843	38,391
Net current assets		34,016	31,687
Non-current liabilities			
Provisions		1,120	1,179
Total liabilities		37,963	39,570
Net assets		293,454	293,069
Equity			
Called up share capital	15	3,242	3,242
Share premium account		217,803	217,803
Other reserves		8,211	8,211
Retained earnings		64,198	63,813
Total equity		293,454	293,069

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

The financial statements were approved by the board of directors and authorised for issue on 26 September 2019 and were signed on its behalf by:

M Barnard
Director

Company Registration No. 02136404

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017		3,242	217,803	8,211	60,801	290,057
Year ended 31 December 2017:						
Profit and total comprehensive income for the year		-	-	-	6,612	6,612
Dividends paid	8	-	-	-	(3,600)	(3,600)
Balance at 31 December 2017		3,242	217,803	8,211	63,813	293,069
Year ended 31 December 2018:						
Profit and total comprehensive income for the year		-	-	-	3,985	3,985
Dividends paid	8	-	-	-	(3,600)	(3,600)
Balance at 31 December 2018		3,242	217,803	8,211	64,198	293,454

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

WSP GROUP LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash absorbed by operations	**21**	(1,008)	(3,719)
Interest paid		(188)	(342)
Net cash outflow from operating activities		**(1,196)**	(4,061)
Cash flows from investing activities			
Interest received		3,346	3,144
Dividends received		3,600	6,115
Net cash generated from investing activities		**6,946**	9,259
Cash flows from financing activities			
Dividends paid		(3,600)	(3,600)
Net cash used in financing activities		(3,600)	(3,600)
Net increase in cash and cash equivalents		**2,150**	1,598
Cash and cash equivalents at beginning of year		(30,854)	(32,452)
Cash and cash equivalents at end of year		**(28,704)**	(30,854)

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

1 Accounting policies

Company information
WSP Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is WSP House, 70 Chancery Lane, London, WC2A 1AF.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, Interpretations issued by the IFRS Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

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

The financial statements have been on the historical cost basis and on the going concern basis. The principal accounting policies adopted are set out below.

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

1.2 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.3 Cash and cash equivalents

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

1.4 Financial instruments

The table below summarises the classification and measurement of the Company's financial instruments accounted for under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39 Financial Instruments: Recognition and Measurement

Classification and measurement	IAS 39 31 December 2017	IFRS 9 1 January 2018
Assets		
Cash	Amortised cost	Amortised cost
Intercompany receivables, other receivables	Amortised cost	Amortised cost
Liabilities		
Accounts payable and accrued liabilities, excluding provisions	Amortised cost	Amortised cost
Long-term debt (including current portion)	Amortised cost	Amortised cost
Other financial liabilities (long and short-term)	Amortised cost	Amortised cost

1 Accounting policies

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

Financial liabilities (excluding derivatives) are derecognised when the obligation specified in the contract is discarded, cancelled or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 recognition and measurement requirements.

Impairment of financial assets
IFRS 9 also introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The Company elected to apply the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance.

The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

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

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

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

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

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

1 Accounting policies

Financial instruments - policy applicable to prior to 1 January 2018

Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss ("FVTPL"), which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt-instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.5 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1 Accounting policies

1.6 Taxation

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

Current tax

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

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.7 Provisions

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

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

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

1.8 Foreign exchange

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

1 Accounting policies

1.9 Dividends

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

1.10 Capital management

For the purpose of capital management, capital includes intercompany funding liabilities and total equity, net of cash and overdrafts.

	2018 £'000	2017 £'000
Intercompany funding liabilities	5,422	4,653
Total equity	293,454	293,069
	298,876	297,722
Less cash	-	-
Add bank overdrafts	28,704	30,854
	327,580	328,576

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

At 31 December 2018 and 31 December 2017 all financial liabilities were denominated in Sterling and were repayable on demand.

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

There are no arrangements identified which include embedded derivatives which would require to be accounted for separately under IFRS.

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

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

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

IFRS 9	Financial Instruments

Adoption of IFRS 9 Financial Instruments

The Company has adopted all of the requirements of IFRS 9 Financial Instruments as at 1 January 2018, where relevant to the Company. The table below summarises the classification and measurement of the Company's financial instruments accounted for under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement	**IAS 39** **31 December 2017**	**IFRS 9** **1 January 2018**
Assets		
Cash	Amortised cost	Amortised cost
Intercompany receivables, other receivables	Amortised cost	Amortised cost
Liabilities		
Accounts payable and accrued liabilities, excluding provisions	Amortised cost	Amortised cost
Long-term debt (including current portion)	Amortised cost	Amortised cost
Other financial liabilities (long and short-term)	Amortised cost	Amortised cost

The implementation of IFRS 9 by the Company did not have an effect on opening equity balances at 1 January 2018.

Standards which are in issue but not yet effective

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

IFRS 16	Leases

IFRS 16 Leases was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard must be applied for financial years commencing on or after 1 January 2019. The Company is not a contracting party to any lease arrangements therefore this standard is not expected to have an effect on the financial results of the Company.

There are no other standards that are not yet effective that would be expected to have a material impact on the Company in the current or future reporting periods.

3 Critical accounting estimates and judgements

The preparation of the financial statements requires the Company to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The directors consider the significant judgements to be the carrying value of investments, the recoverability of amounts owed by Group companies and company financing arrangements.

4 Operating profit

	2018 £'000	2017 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	872	(81)
Waiver of intercompany loan	-	935
Impairment of investments	-	903

The audit fee of the Company was £5,000 (2017: £5,000) and was borne by another Group company. Other than the statutory audit, no services were provided to the Company by PricewaterhouseCoopers LLP.

There were no employees during the year or prior year.

The directors did not receive their remuneration from the Company for the current year and prior year, but were remunerated by other Group companies. Because the Group does not think it appropriate to apportion these costs to the individual companies, no recharges were made to the Company.

No retirement benefits or share based payments were paid or payable to the directors by the Company.

5 Finance income

	2018 £'000	2017 £'000
Intercompany finance income	3,346	3,144

Intercompany finance income arises on loans.

6 Finance costs

	2018 £'000	2017 £'000
Interest on bank overdraft	188	338
Intercompany finance costs	-	4
Total interest expense	188	342

Intercompany finance costs arise on loans.

7 Income tax expense

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the current year	-	-
Total UK current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	394	548
Changes in tax rates	56	-
Total deferred tax	450	548
Total tax charge	450	548

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

	2018 £'000	2017 £'000
Profit before taxation	4,435	7,160
Expected tax charge based on a corporation tax rate of 19% (2017: 19.25%)	843	1,378
Effect of expenses not deductible in determining taxable profit	282	355
Change in tax rates	9	(8)
Dividends received	(684)	(1,177)
Taxation charge for the year	450	548

The company's profits for this accounting year are taxed at an effective rate of 19%.

Changes were announced to reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020. The rate change will reduce the company's future current tax charge accordingly.

8 Dividends paid

	2018 amount per share	2017 amount per share	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders:				
Authorised, issued and fully paid				
Dividend paid	0.05552	0.05552	3,600	3,600

9 Investments

	2018	2017
	£'000	£'000
Investments in subsidiaries	260,485	262,038
	260,485	262,038

The directors believe that the carrying value of the investments is supported by their value in use.

10 Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered address and country of incorporation	Ownership interest (%)	Nature of business
WSP Group Holdings Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	Intermediate holding company
WSP Group Africa (Pty) Limited	199 Bryanston Drive, Bryanston 2191, South Africa	74.00	Multi-disciplined building design
Financial Decisions Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	Dormant
AB Consulting Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	Dormant
Graham Consulting Group Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	Intermediate holding company
WSP Buildings Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	Dormant
WSP North Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	Dormant
WSP Johannesburg Proprietary Limited	Building C, Knightsbridge, 33 Sloane Street, Bryanston, Johannesburg 2196, South Africa	57.00	Intermediate holding company

11 Loans and other receivables

	2018 £'000	2017 £'000
Amounts due from group undertakings - trading	3,445	3,547
Amounts due from group undertakings - funding	67,346	65,900
Prepayments	68	631
	70,859	70,078

Interest on funding balances between companies within the Group is charged at the 1 January Bank of England base rate + LIBOR (2017: 1 January Bank of England base rate + LIBOR).

Interest is not charged on trading balances between companies within the Group.

All balances are unsecured and are repayable on demand.

Loans and other receivables do not contain impaired assets and there is no material difference between the carrying value and fair value of financial assets at the Balance Sheet date. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

12 Financial liabilities

	2018 £'000	2017 £'000
Bank overdrafts	28,704	30,854

The Company's banking facilities are secured by a fixed and floating charge over its assets.

Interest on bank overdrafts is charged at Bank of England base rate +2.5% (2017: Bank of England base rate +2.5%)

13 Loans and other payables

	2018 £'000	2017 £'000
Amounts due to group undertakings - trading	1,295	4,648
Amounts due to group undertakings - funding	4,127	5
Accruals	-	167
	5,422	4,820

Interest on funding balances between companies within the Group is charged at the 1 January Bank of England base rate + LIBOR (2017: 1 January Bank of England base rate + LIBOR). Interest is not charged on trading balances between companies within the Group. The balances are unsecured and are repayable on demand.

14 Deferred tax asset

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

	ACAs £'000	Tax losses £'000	Total £'000
Deferred tax asset at 1 January 2017	4	1,067	1,071
Deferred tax movements in prior year			
Charge to profit or loss	(1)	(547)	(548)
Deferred tax asset at 31 December 2017	3	520	523
Deferred tax movements in current year			
Charge to profit or loss	(1)	(449)	(450)
Deferred tax asset at 31 December 2018	2	71	73

All deferred tax assets are recognised and considered recoverable due to forecast future profits.

15 Called up share capital

	2018 £'000	2017 £'000
Ordinary share capital		
Authorised, issued and fully paid		
64,840,197 (2017: 64,840,197) of £0.05 each	3,242	3,242

16 Related party transactions

During the year, the Company received interest on loans to other Group companies of £3,346,000 (2017: £3,144,000) and paid interest on loans from other Group companies of £nil (2017: £4,000).

At 31 December 2018, £70,791,000 was due from fellow members of the Group (2017: £69,447,000).

At 31 December 2018, £5,422,000 was due to fellow members of the Group (2017: £4,653,000).

17 Financial instruments

The Company is exposed to foreign exchange risk primarily with respect to the South African Rand.

The Company has an overdraft of £28,704,000 was used at the year end (2017: £30,854,000) which is immediately available for use.

The Company's interest bearing financial liabilities are charged at floating rates. There are no fixed rate or non-interest bearing liabilities (2017: £nil). The floating rate liabilities apply to short and medium-term bank overdrafts and loans with interest rates falling within the range 2.5% to 4% above the relevant country national bank base rates or inter-bank offer rate. The Company's banking facilities are secured by fixed and floating charges over a variety of the Company's assets.

18 Guarantees and contingent liabilities

At 31 December 2018 and 31 December 2017 the Company guaranteed defined benefit pensions contributions payable by a subsidiary company.

The company is a guarantor for a counter indemnity for a performance bond to the value of £267,616 (QAR1,243,000).

In common with other professional firms, the Group maintains professional indemnity insurance against claims for professional negligence which in the ordinary course of business have been, or may in the future be, received. The directors assess each claim and make provision for legal and settlement costs where, on the basis of advice received, it is considered that a liability may exist. In respect of certain contracts, the Company has granted guarantees to clients in connection with the performance of its subsidiary undertakings.

19 Events after the reporting date

There are no post balance sheet date events.

20 Controlling party

The Company's immediate parent undertaking is WSP Holding UK Limited, incorporated in England and Wales.

The ultimate parent undertaking and controlling party of the Company is WSP Global Inc., incorporated in Canada. WSP Global Inc. is the only group for which group financial statements including the Company are drawn up. The Company has taken advantage of Section 401 of the Companies Act 2006 in not preparing consolidated financial statements for the current year. The consolidated financial statements of WSP Global Inc. are available to the public and may be obtained from the WSP website, www.wsp.com.

21 Cash generated from operations

	2018 £'000	2017 £'000
Profit for the year after tax	3,985	6,612
Adjustments for:		
Taxation charged	450	548
Finance costs	188	342
Dividend income	(3,600)	(6,115)
Finance income	(3,346)	(3,144)
Waiver of intercompany loans	1,553	935
Impairment of investments	-	903
(Decrease) in provisions	(59)	(17)
(Increase) in trade and other receivables	(781)	(2,579)
Increase/(decrease) in trade and other payables	602	(1,204)
Cash absorbed by operations	(1,008)	(3,719)