

Company Registration No. 02136404 (England and Wales)

**WSP GROUP LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# WSP GROUP LIMITED

## COMPANY INFORMATION

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**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

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# **WSP GROUP LIMITED**

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# **WSP GROUP LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their Strategic Report on WSP Group Limited (the "Company") for the year ended 31 December 2019.

### **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 profit before tax for the financial year ended 31 December 2019 was £4,527,000 (31 December 2018: £4,435,000).

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. 2019 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](http://www.wsp.com).

### **Principal risks and uncertainties**

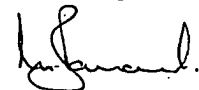
The Company is financed by variable rate loans from other WSP Global Inc. group companies. The Company is exposed to a number of financial market risks including credit risk, liquidity risk, fluctuations in foreign exchange rates and interest rates. Although the Company takes steps to manage its own 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. 2019 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. 2019 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

15 October 2020

# **WSP GROUP LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their report and audited financial statements for the year ended 31 December 2019.

#### **Results and dividends**

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

Dividends were paid amounting to £4,000,000 (2018: £3,600,000). The directors do not recommend the payment of a final dividend for the financial year ended 31 December 2019.

#### **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 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 2019 and 31 December 2018.

#### **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 balance sheet date events**

Subsequent to the year end, the Covid-19 pandemic has significantly affected the United Kingdom and other countries that the Company and its subsidiaries operate in. Business disruption to the Company's subsidiaries, so far, has been reasonably modest and there have been no significant supply chain disruptions. Even before the Covid-19 pandemic, the health and safety of our people has been our primary concern and the Company and its subsidiaries continue to follow the UK Government's Covid-19 Recovery Strategy and health and safety guidance while navigating through the pandemic.

On 17 June 2020, the Company issued a capital contribution to its subsidiary and increased the value of its investment by £21,273,000.

There were no other post balance sheet date events.

#### **Future developments**

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

# **WSP GROUP LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **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.

### **Disclosure requirements**

In accordance with the Companies Act 2006 section 414C(11), the Company's Strategic Report contains certain disclosures required in the Directors' Report. The requirements are included within the Principal Activities and Business Review, Principal Risks and Uncertainties and Key Performance Indicators sections of the Strategic Report.

### **Independent auditor**

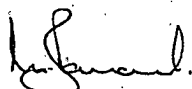
Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

### **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

15 October 2020

# **WSP GROUP LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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**

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### **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 2019 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 2019; 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.

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### **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.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which 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 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.

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.

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### **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:

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# **Independent auditors' report to the members of WSP Group Limited (continued)**

## **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 2019 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.

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## **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 4, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

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

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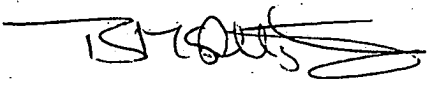
## **Other required reporting**

### **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  
16 October 2020

# WSP GROUP LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Dividend income		4,000	3,600
Administrative expenses		(2,661)	(2,323)
<b>Operating profit</b>	<b>4</b>	<b>1,339</b>	<b>1,277</b>
Finance income	<b>5</b>	3,517	3,346
Finance costs	<b>6</b>	(329)	(188)
<b>Profit before taxation</b>		<b>4,527</b>	<b>4,435</b>
Income tax income/(expense)	<b>7</b>	1,013	(450)
<b>Profit and total comprehensive income for the year</b>		<b>5,540</b>	<b>3,985</b>

The above results all relate to continuing operations.

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

# WSP GROUP LIMITED

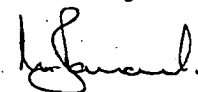
## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Investments	9	259,140	260,485
Right-of-use asset	11	5,469	-
Deferred tax asset	15	105	73
		<u>264,714</u>	<u>260,558</u>
<b>Current assets</b>			
Loans and other receivables	12	72,790	70,859
<b>Total assets</b>		<u>337,504</u>	<u>331,417</u>
<b>Current liabilities</b>			
Loans and other payables	14	5,908	5,422
Current tax liabilities		1,509	2,717
Lease liability	16	1,487	-
Financial liabilities	13	28,951	28,704
		<u>37,855</u>	<u>36,843</u>
<b>Net current assets</b>		<u>34,935</u>	<u>34,016</u>
<b>Non-current liabilities</b>			
Provisions	17	1,524	1,120
Lease liability	16	3,848	-
		<u>5,372</u>	<u>1,120</u>
<b>Total liabilities</b>		<u>43,227</u>	<u>37,963</u>
<b>Net assets</b>		<u>294,277</u>	<u>293,454</u>
<b>Equity</b>			
Called up share capital	18	3,242	3,242
Share premium account		217,803	217,803
Other reserves		8,211	8,211
Retained earnings		65,021	64,198
<b>Total equity</b>		<u>294,277</u>	<u>293,454</u>

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

The financial statements were approved by the board of directors and authorised for issue on 15 October 2020 and were signed on its behalf by:



**M Barnard**  
Director

Company Registration No. 02136404

# WSP GROUP LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Share capital	Share premium account	Other reserves	Retained earnings	Total
	Notes	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018		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
Effect of adoption of IFRS 16		-	-	-	(717)	(717)
As adjusted at 1 January 2019		3,242	217,803	8,211	63,481	292,737
Year ended 31 December 2019:						
Profit and total comprehensive income for the year		-	-	-	5,540	5,540
Dividends paid	8	-	-	-	(4,000)	(4,000)
Balance at 31 December 2019		3,242	217,803	8,211	65,021	294,277

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

**WSP GROUP LIMITED****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	24	(3,208)	(1,008)
Interest paid		(329)	(188)
Tax paid		(227)	-
<b>Net cash outflow from operating activities</b>		<b>(3,764)</b>	<b>(1,196)</b>
<b>Cash flows from investing activities</b>			
Interest received		3,517	3,346
Dividends received		4,000	3,600
<b>Net cash generated from investing activities</b>		<b>7,517</b>	<b>6,946</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(4,000)	(3,600)
<b>Net cash used in financing activities</b>		<b>(4,000)</b>	<b>(3,600)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(247)</b>	<b>2,150</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>(28,704)</b>	<b>(30,854)</b>
<b>Cash and cash equivalents at end of year</b>		<b>(28,951)</b>	<b>(28,704)</b>

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

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

##### Company information

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

##### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International 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](http://www.wsp.com).

The financial statements have been on the historical cost basis and on the going concern basis.

The principal accounting policies adopted in the presentation of these financial statements, which have been consistently applied, 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 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.

##### 1.3 Financial instruments

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

Classification and measurement	IFRS 9
<b>Assets</b>	
Cash	Amortised cost
Intercompany receivables, other receivables	Amortised cost
<b>Liabilities</b>	
Accounts payable and accrued liabilities, excluding provisions	Amortised cost
Long-term debt (including current portion)	Amortised cost
Other financial liabilities (long and short-term)	Amortised cost

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.

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

##### **Impairment of financial assets**

The Company uses a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance.

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.

##### **Derecognition of financial liabilities**

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

#### 1.4 Taxation

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

##### **Current tax**

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

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

##### *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.

#### 1.5 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.

#### 1.6 Leases

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

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



# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 1 Accounting policies

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

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

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

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

#### 1.7 Foreign exchange

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

#### 1.8 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.

#### 1.9 Capital management

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

	2019 £'000	2018 £'000
Intercompany funding liabilities	5,820	5,422
Total equity	294,277	293,454
	<hr/>	<hr/>
Less cash	300,097	298,876
Add bank overdrafts	28,951	28,704
	<hr/>	<hr/>
	329,048	327,580

# **WSP GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **1 Accounting policies**

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 2019 and 31 December 2018 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 be required to be accounted for separately under IFRS.

The company is not subject to any externally imposed capital requirements nor to any loan covenants.

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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

The Company applied IFRS 16 Leases for the first time from 1 January 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### Adoption of IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	£'000
<b>Assets</b>	
Right-of-use assets	7,081
<b>Total assets</b>	7,081
<b>Liabilities</b>	
<i>Current</i>	
Lease liabilities - current	(1,635)
<i>Non-current</i>	
Dilapidations provision	(1,023)
Lease liabilities - non-current	(5,140)
<b>Total liabilities</b>	(7,798)
<b>Net assets</b>	(717)

The net impact on retained earnings as at 1 January 2019 was £717,000.

The Company has lease contracts for property. Before the adoption of IFRS 16, the Company classified its lease (as lessee) at the inception date as an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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

##### *Leases previously classified as finance leases*

The Company did not have any leases previously classified as finance leases.

##### *Leases previously accounted for as operating leases*

The Company recognised right-of-use assets, dilapidations provision and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. All right-of-use assets were measured at the amount equal to the right-of-use asset. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Relied on its assessment on the identification of a lease (under IAS 17) for all existing contracts at the date of initial application;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

##### **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:

IAS 1	Presentation of Financial Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendment to the definition of material is not expected to have a significant impact on the Company's financial statements.

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

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 and the recoverability of amounts owed by Group companies.

#### Key sources of estimation uncertainty

##### *Impairment of investments in subsidiaries*

The Company determines whether its investment in its subsidiary is impaired on an annual basis, or more frequently if there is an indicator of impairment. Impairment exists when the carrying value of the investment in subsidiary exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on management's best estimate of the price of a disposal transaction, conducted at arm's length, less the cost of disposal. The value in use calculation is based on a discounted cash flow model, which requires an estimate of future cash flows and the choice of a suitable discount rate.

### 4 Operating profit

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	253	872
Loss on disposal of investment	1,345	-
Depreciation of right-of-use asset	1,612	-

The audit fee of the Company was £5,000 (2018: £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

	2019 £'000	2018 £'000
Intercompany finance income	3,517	3,346

Intercompany finance income arises on loans.

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 6 Finance costs

	2019 £'000	2018 £'000
Interest on bank overdraft	134	188
Interest on obligations under finance leases	195	-
Total interest expense	329	188

### 7 Income tax income/(expense)

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current year	176	-
Adjustments in respect of prior periods	(1,157)	-
<b>Total UK current tax</b>	(981)	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	159	394
Changes in tax rates	-	56
Adjustment in respect of prior periods	(191)	-
<b>Total deferred tax</b>	(32)	450
<b>Total tax (credit)/charge</b>	(1,013)	450

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

	2019 £'000	2018 £'000
Profit before taxation	4,527	4,435
Expected tax charge based on a corporation tax rate of 19% (2018: 19%)	860	843
Effect of expenses not deductible in determining taxable profit	256	282
Adjustment in respect of prior years - current tax	(1,157)	-
Adjustment in respect of prior years - deferred tax	(191)	-
Change in tax rates	(21)	9
Dividends received	(760)	(684)
<b>Taxation (credit)/charge for the year</b>	(1,013)	450

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

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

8	Dividends paid	2019 amount per share £	2018 amount per share £	2019 £'000	2018 £'000
	Amounts recognised as distributions to equity holders:				
	Authorised, issued and fully paid Dividend paid	0.06169	0.05552	4,000	3,600

9	Investments	2019 £'000	2018 £'000
	Investments in subsidiaries	259,140	260,485
		<u>259,140</u>	<u>260,485</u>

In the opinion of the directors, the value of the investment in subsidiaries at 31 December 2019 is not less than the carrying value stated in the Statement of Financial Position. This conclusion was reached following an assessment of whether any indicators of impairment exist, with reference to both internal and external sources of information. The directors have also considered the degree to which the data and assumptions within these internal and external sources would need to fluctuate before an indicator of impairment is identified as well as considering the likelihood of this occurring.

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2019	260,485
Disposals	(1,345)
At 31 December 2019	<u>259,140</u>
Carrying amount	
At 31 December 2019	<u>259,140</u>
At 31 December 2018	<u>260,485</u>

The Company transferred its 74% shareholding in WSP Group Africa (Pty) Limited to a fellow group entity. The carrying value of the investment on disposal was £1,345,000 and the consideration received was £nil.

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 10 Subsidiaries

Details of the Company's subsidiaries at 31 December 2019 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
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

\*The Company has a call option over the remaining 43% of the share capital of WSP Johannesburg Proprietary Limited.

### 11 Right-of-use asset

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

	£'000
As at 1 January 2019	7,081
Depreciation	(1,612)
As at 31 December 2019	<u>5,469</u>

Depreciation is recognised in the Statement of Comprehensive Income.



# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Loans and other receivables

	2019 £'000	2018 £'000
Amounts due from group undertakings - trading	2,152	3,445
Amounts due from group undertakings - funding	70,638	67,346
Prepayments	-	68
	<u>72,790</u>	<u>70,859</u>

Interest on funding balances between companies within the Group is charged at the 1 January Bank of England base rate + LIBOR (2018: 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.

### 13 Financial liabilities

	2019 £'000	2018 £'000
Bank overdrafts	<u>28,951</u>	<u>28,704</u>

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% (2018: Bank of England base rate +2.5%)

### 14 Loans and other payables

	2019 £'000	2018 £'000
Amounts due to group undertakings - trading	1,693	1,295
Amounts due to group undertakings - funding	4,127	4,127
Accruals	88	-
	<u>5,908</u>	<u>5,422</u>

Interest on funding balances between companies within the Group is charged at the 1 January Bank of England base rate + LIBOR (2018: 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.

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 15 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 2018	3	520	523
<b>Deferred tax movements in prior year</b>			
Charge to profit or loss	(1)	(449)	(450)
Deferred tax asset at 31 December 2018	2	71	73
<b>Deferred tax movements in current year</b>			
Charge to profit or loss	-	32	32
Deferred tax asset at 31 December 2019	2	103	105

As at 31 December 2019, deferred tax balances have been calculated using a corporation tax rate of 17% on the basis that a reduction in the tax rate was expected in April 2020. In March 2020, the UK Government cancelled this rate reduction which means that the UK corporation tax will remain at 19% for the foreseeable future. Deferred tax balances would be £118,000 if calculated at a rate of 19%.

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

#### 16 Lease liabilities

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

	£'000
As at 1 January 2019	(6,775)
Accretion of interest	(195)
Payments	1,635
As at 31 December 2019	5,335

# WSP GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 16 Lease liabilities

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

	2019 £'000	2018 £'000
Current liabilities	1,487	-
Non-current liabilities	3,848	-
	<u>5,335</u>	<u>-</u>

	2019 £'000	2018 £'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>195</u>	<u>-</u>

The weighted average incremental borrowing rate applied to the lease liabilities recognised at the date of adoption of IFRS 16 Leases was 3.2%.

#### 17 Provisions for liabilities

	Dilapidations provision £'000	Insurance/claim provisions £'000	Total £'000
<b>Movements on provisions:</b>			
At 1 January	-	1,120	1,120
Additional provisions in the year	1,023	-	1,023
Utilisation of provision	-	(619)	(619)
At 31 December	<u>1,023</u>	<u>501</u>	<u>1,524</u>

Insurance/claim provisions relate entirely to professional indemnity (PI) claims and have been calculated based upon the directors' best estimate of the amount that may fall due. The ultimate amount payable for PI claims may be different depending on the final settlement agreements.

Dilapidation provisions reflect management's best estimate of the cost of making good leasehold property on exit of the lease.

<b>18 Called up share capital</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Ordinary share capital		
<i>Authorised, issued and fully paid</i>		
64,840,197 of £0.05 each	<u>3,242</u>	<u>3,242</u>

## **WSP GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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##### **19 Related party transactions**

During the year, the Company received interest on loans to other Group companies of £3,517,000 (2018: £3,346,000) and paid interest on loans from other Group companies of £nil (2018: £nil).

At 31 December 2019, £72,790,000 was due from fellow members of the Group (2018: £70,791,000).

At 31 December 2019, £5,820,000 was due to fellow members of the Group (2018: £5,422,000).

##### **20 Financial instruments**

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

The Company has an overdraft of £28,951,000 at the year end (2018: £28,704,000).

The Company's interest bearing financial liabilities are charged at floating rates. There are no fixed rate or non-interest bearing liabilities (2018: £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.

##### **21 Guarantees and contingent liabilities**

At 31 December 2019 and 31 December 2018 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 £260,426 (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.

##### **22 Events after the reporting date**

Subsequent to the year end, the Covid-19 pandemic has significantly affected the United Kingdom and other countries that the Company and its subsidiaries operates in. Business disruption to the Company's subsidiaries, so far, has been reasonably modest and there have been no significant supply chain disruptions. Even before the Covid-19 pandemic, the health and safety of our people has been our primary concern and the Company and its subsidiaries continue to follow the UK Government's Covid-19 Recovery Strategy and health and safety guidance while navigating through the pandemic.

On 17 June 2020, the Company issued a capital contribution to its subsidiary and increased the value of its investment by £21,273,000.

There are no other post balance sheet date events.

##### **23 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](http://www.wsp.com).

**WSP GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****24 Cash absorbed by operations**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year after tax	5,540	3,985
<b>Adjustments for:</b>		
Taxation (credited)/charged	(1,013)	450
Finance costs	329	188
Dividend income	(4,000)	(3,600)
Finance income	(3,517)	(3,346)
Impairment of investment	-	1,553
Depreciation of right-of-use asset	1,612	-
Loss on disposal of investments	1,345	-
Decrease in provisions	(619)	(59)
Decrease in lease liability	(1,440)	-
Increase in trade and other receivables	(1,931)	(781)
Increase in trade and other payables	486	602
Cash absorbed by operations	<u>(3,208)</u>	<u>(1,008)</u>