

Company Registration No. 02136404 (England and Wales)

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



WSP GROUP LIMITED

COMPANY INFORMATION

Directors	M Barnard M Naysmith
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 2020

The directors present their Strategic Report on WSP Group Limited (the "Company") for the year ended 31 December 2020.

Principal activities and business review

The principal activity of the Company is as an intermediate holding company in a group of companies, providing leading engineering and design services while establishing a strong commitment to the surrounding communities as well as local and national clients. No major changes in the activity of the Company are envisaged in the future.

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" or "WSP". The consolidated financial statements of WSP Global Inc. are available to the public and may be obtained from the website, www.wsp.com.

During the financial year, the Company earned dividend income of £61,168,000 (2019: £4,000,000). The profit before tax for the financial year was £61,344,000 (2019: £4,527,000).

Principal risks and uncertainties

The Company's operations expose it to the following risks:

Financial risk

The Company's principal assets are investments and intercompany receivables. The Company's financial risk is primarily related to the carrying value of its investments and the recovery of its intercompany receivables.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, including the servicing of its financial liabilities, the Company has access to a mixture of long-term and short-term debt finance, if required, from its ultimate parent.


Capital risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debt. The Company has a dividend policy which takes into account the Company's capital requirements, cash flows and earnings.

Key performance indicators

As the Company is an intermediate holding company, the directors believe that analysis using key performance indicators is neither necessary nor appropriate for an understanding of the development, performance or position of the business of the Company.

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



M Barnard
Director
30 September 2021

WSP GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Results and dividends

The results for the year are set out on page 8.

Dividends were paid amounting to £61,144,000 (2019: £4,000,000). The directors do not recommend the payment of a final dividend for the financial year ended 31 December 2020.

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 (Resigned 17 December 2020)

M Barnard

M Naysmith (Appointed 17 December 2020)

Directors' insurance

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

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 2020 and 31 December 2019.

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

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

On 22 September 2021, the Company acquired the entire share capital of Golder Associates Africa from Golder Associates Corporation Inc, a fellow group entity. Consideration paid was US\$2,000,000.

There are no other 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 GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

30 September 2021

WSP GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Independent auditors' report to the members of WSP 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 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Auditing the risk of management override of controls, including through identifying and testing journal entries using a risk-based targeting approach for unexpected accounts combinations, and testing accounting estimates for potential management bias;
- Inspection of supporting documentation, where appropriate;
- Reviewing relevant meeting minutes; and
- Reviewing the tax provisions of the Company.

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

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

Use of this report

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

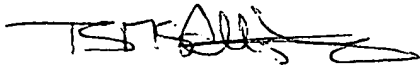
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

WSP GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020 £'000	2019 £'000
	Notes		
Dividend income		61,168	4,000
Administrative expenses		(1,262)	(2,661)
Operating profit	4	59,906	1,339
Finance income	6	1,824	3,517
Finance costs	7	(386)	(329)
Profit before taxation		61,344	4,527
Income tax (expense)/income	8	(176)	1,013
Profit and total comprehensive income for the year		61,168	5,540

The above results all relate to continuing operations.

There is no other comprehensive income for the financial year (2019: £nil).

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

WSP GROUP LIMITED

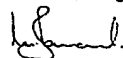
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020	2019
	Notes	£'000	£'000
Non-current assets			
Investments	10	280,413	259,140
Right-of-use asset	12	450	5,469
Finance lease receivable	13	4,038	-
Deferred tax asset	17	54	105
		<u>284,955</u>	<u>264,714</u>
Current assets			
Loans and other receivables	14	51,569	72,790
Total assets		<u>336,524</u>	<u>337,504</u>
Current liabilities			
Loans and other payables	16	6,105	5,908
Current tax liabilities		1,333	1,509
Lease liability	18	1,609	1,487
Financial liabilities	15	28,977	28,951
		<u>38,024</u>	<u>37,855</u>
Net current assets		<u>13,545</u>	<u>34,935</u>
Non-current liabilities			
Provisions	19	1,770	1,524
Lease liability	18	2,429	3,848
		<u>4,199</u>	<u>5,372</u>
Total liabilities		<u>42,223</u>	<u>43,227</u>
Net assets		<u>294,301</u>	<u>294,277</u>
Equity			
Called up share capital	20	3,242	3,242
Share premium account		217,803	217,803
Other reserves		8,211	8,211
Retained earnings		65,045	65,021
Total equity		<u>294,301</u>	<u>294,277</u>

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

The financial statements were approved by the board of directors and authorised for issue on 30 September 2021 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 2020

	Notes	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		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	9	-	-	-	(4,000)	(4,000)
Balance at 31 December 2019		3,242	217,803	8,211	65,021	294,277
Year ended 31 December 2020:						
Profit and total comprehensive income for the year		-	-	-	61,168	61,168
Dividends paid	9	-	-	-	(61,144)	(61,144)
Balance at 31 December 2020		3,242	217,803	8,211	65,045	294,301

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

WSP GROUP LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2020**

		2020	2019
	Notes	£'000	£'000
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	25	18,820	(3,208)
Interest paid		(386)	(329)
Tax paid		(301)	(227)
Net cash generated from/(used in) from operating activities		18,133	(3,764)
Cash flows from investing activities			
Capital contribution to a subsidiary		(21,273)	-
Interest received		1,824	3,517
Dividends received		61,168	4,000
Net cash generated from investing activities		41,719	7,517
Cash flows from financing activities			
Repayment of loans and receivables		1,266	-
Dividends paid		(61,144)	(4,000)
Net cash used in financing activities		(59,878)	(4,000)
Net decrease in cash and cash equivalents		(26)	(247)
Cash and cash equivalents at beginning of year		(28,951)	(28,704)
Cash and cash equivalents at end of year		(28,977)	(28,951)

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 2020

1 Accounting policies

Company information

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

1.1 Basis of preparation

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

The 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 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 Non-current investments

Investments in subsidiaries are held at cost less impairment. The Company determines whether its investments are impaired on an annual basis, or more frequently if there is an indicator of impairment. Where an indicator of impairment is identified, impairment testing is performed to identify the recoverable amount, which is the greater of fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income as incurred.

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 financial liabilities.

1.4 Financial instruments

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

Classification and measurement	IFRS 9
Assets	
Cash	Amortised cost
Loans and other receivables	Amortised cost
Liabilities	
Loans and other payables	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.

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

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

Impairment of financial assets

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

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.

1.5 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 2020

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.

1.6 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.

1.7 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 2020

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.

Where the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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.

1.8 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 in the period are included in profit or loss.

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.

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.10 Capital management

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

	2020 £'000	2019 £'000
Intercompany funding liabilities	5,950	4,127
Total equity	294,301	294,277
	<hr/>	<hr/>
	300,251	298,404
Add bank overdrafts	28,977	28,951
	<hr/>	<hr/>
	329,228	327,355

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.

In order to achieve the Company's capital management objectives, the Company aims to ensure that it meets its obligations attached to the interest bearing loan with WSP UK Limited. All obligations have been met in the current and prior year.

At 31 December 2020 and 31 December 2019 all financial liabilities were denominated in Sterling and were repayable on demand.

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

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 2020

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

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

Amendments to IAS 1 and IAS 8 – Definition of Material

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

Other new and amended standards and interpretations

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

- Amendments to IFRS 3 - Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 - Interest rate benchmark reform
- Amendments to IFRS 16 - Covid-19 related rent concessions
- Revised Conceptual Framework for Financial Reporting

Standards which are in issue but not yet effective

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

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

- Amendments to IAS 1 - Presentation of Financial Statements

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

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

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

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

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Key sources of estimation uncertainty

Carrying value of investments in subsidiaries

The Company determines whether its investments in its subsidiaries are 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 a 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

	2020 £'000	2019 £'000
Operating profit for the year is stated after charging:		
Exchange losses	1,513	253
Loss on disposal of investment	-	1,345
Depreciation of right-of-use asset	301	1,612

The audit fee of the Company was £5,000 (2019: £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.

5 Directors' remuneration

	2020 £'000	2019 £'000
Short term employment benefits	2,060	2,300
Post-employment benefits	199	135
	<u>2,259</u>	<u>2,435</u>

The directors are remunerated by fellow group entities. As the Group does not think it appropriate to apportion these costs to individual companies, no recharges were made to the Company.

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Directors' remuneration

(continued)

The emoluments of the highest paid director were £1,747,000 (2019: £1,927,000). Defined contribution pension payments of £nil (2019: £nil) were made on behalf of the highest paid director. Post-employment benefits of £nil (2019: £nil) were paid to the highest paid director. The highest paid director received share options in WSP Global Inc with a value of £470,000 (2019: £468,000).

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

6 Finance income

	2020	2019
	£'000	£'000
Finance income on the net investment in leases	110	-
Intercompany finance income	1,714	3,517
Total finance income	1,824	3,517

Intercompany finance income arises on loans.

7 Finance costs

	2020	2019
	£'000	£'000
Interest on bank overdraft	234	134
Interest on obligations under finance leases	152	195
Total interest expense	386	329

8 Income tax expense/(income)

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on profits for the current year	-	197
Adjustments in respect of prior years	126	(1,157)
Total UK current tax	126	(960)
Deferred tax		
Origination and reversal of temporary differences	139	159
Changes in tax rates	(21)	(21)
Adjustment in respect of prior years	(68)	(191)
Total deferred tax	50	(53)
Total tax charge/(credit)	176	(1,013)

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Income tax expense/(income) (continued)

The charge/(credit) for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2020 £'000	2019 £'000
Profit before taxation	61,344	4,527
Expected tax charge based on a corporation tax rate of 19% (2019: 19%)	11,655	860
Effect of expenses not deductible in determining taxable profit	-	256
Income not taxable	(100)	-
Transfer pricing adjustment	206	-
Adjustment in respect of prior years - current tax	126	(1,157)
Adjustment in respect of prior years - deferred tax	(68)	(191)
Change in tax rates	(21)	(21)
Dividends received	(11,622)	(760)
Taxation charge/(credit) for the year	176	(1,013)

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

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £3,681,000, to increase the deferred tax asset by £17,000.

9 Dividends paid	2020 amount per share £	2019 amount per share £	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders:				
Authorised, issued and fully paid				
Dividend paid	0.94230	0.06169	61,144	4,000

10 Investments	2020 £'000	2019 £'000
Investments in subsidiaries	280,413	259,140
	280,413	259,140

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Investments

(continued)

In the opinion of the directors, the value of the investments in subsidiaries at 31 December 2020 and 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)
	<hr/>
At 31 December 2019	259,140
Additions	21,273
	<hr/>
At 31 December 2020	280,413
	<hr/>
Carrying amount	
At 31 December 2020	280,413
	<hr/>
At 31 December 2019	259,140
	<hr/>

On 17 June 2020, the Company issued a capital contribution to its subsidiary, WSP Group Holdings Limited, and increased the value of its investment in that company by £21,273,000.

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Subsidiaries

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

Name of undertaking	Registered address and country of incorporation	31 December 2020 %	31 December 2019 %	Nature of business
WSP Group Holdings Limited	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Intermediate holding company
Financial Decisions Limited ^{^^}	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Dormant
AB Consulting Limited ^{^^}	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Dormant
Graham Consulting Group Limited ^{^^}	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	100.00	Intermediate holding company
WSP Buildings Limited ^{^^}	WSP House, 70 Chancery Lane, London, WC2A 1AF, England	100.00	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	57.00	Intermediate holding company

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

[^]On 13 October 2020, WSP North Limited was dissolved.

^{^^}Subsequent to year end, the following subsidiaries were dissolved:

- Financial Decisions Limited (dissolved 16 March 2021)
- WSP Buildings Limited (dissolved 23 March 2021)
- AB Consulting Limited (dissolved 8 June 2021)
- Graham Consulting Group Limited (dissolved 8 June 2021)

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Right-of-use asset

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

	Property leases £'000
At 1 January 2019	7,081
Depreciation	(1,612)
At 31 December 2019 and 1 January 2020	5,469
Modifications	247
Depreciation	(301)
Converted to finance lease receivable (note 13)	(4,965)
At 31 December 2020	450

Depreciation is recognised in the Statement of Comprehensive Income.

13 Finance lease receivable

The Company is the lessee for one property lease and, as at 31 March 2020, had a right-of-use asset of £5,168,000 and a lease liability of £4,965,000. Following the restructuring activity performed by the Company's fellow Group entities, with effect from 1 April 2020, the "identified asset" (as defined by IFRS 16 Leases) within the property lease arrangements transferred from the Company to WSP UK Limited and, from this date, the Company subleases property to WSP UK Limited. The Company has classified the subleases as finance leases because the sublease is for the whole of the remaining term of the head lease. On 1 April 2020, the Company derecognised the majority of its right-of-use asset and recognised its net investment in the lease arrangements as a finance lease receivable.

The carrying amounts of finance lease receivable recognised and movements during the year are as follows:

	2020 £'000
At 1 January 2020	-
Recognised during the year (note 12)	4,965
Modification	229
Interest accretion	110
Payment received	(1,266)
At 31 December 2020	4,038

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Finance lease receivable

(continued)

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2020 £'000	2019 £'000
Gross amounts receivable under finance leases:		
Within one year	1,609	-
Within one to five years	2,593	-
Total undiscounted lease payments receivable	4,202	-
Unearned finance income	(164)	-
Net investment	4,038	-

14 Loans and other receivables

	2020 £'000	2019 £'000
Amounts due from group undertakings - trading	2,003	2,152
Amounts due from group undertakings - funding	49,566	70,638
	51,569	72,790

Interest on funding balances between companies within the Group is charged at the 1 January Bank of England base rate + LIBOR (2019: 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.

15 Financial liabilities

	2020 £'000	2019 £'000
Bank overdrafts	28,977	28,951

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% (2019: Bank of England base rate +2.5%).

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Loans and other payables

	2020 £'000	2019 £'000
Amounts due to group undertakings - trading	112	1,693
Amounts due to group undertakings - funding	5,950	4,127
Accruals	43	88
	<u>6,105</u>	<u>5,908</u>

Interest on funding balances between companies within the Group is charged at the 1 January Bank of England base rate + LIBOR (2019: 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.

17 Deferred tax asset

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

	ACAs £'000	Tax losses £'000	Total £'000
Deferred tax liability at 1 January 2019	2	71	73
Deferred tax movements in prior year			
Charge to profit or loss	-	32	32
Deferred tax asset at 31 December 2019	2	103	105
Deferred tax movements in current year			
Charge to profit or loss - current year	-	(140)	(140)
Charge to profit or loss - prior year	-	68	68
Effect of change in tax rate - profit or loss	-	21	21
Deferred tax asset at 31 December 2020	<u>2</u>	<u>52</u>	<u>54</u>

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%.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £3,681,000, to increase the deferred tax asset by £17,000.

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

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Lease liabilities

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

	£'000
At 1 January 2019	6,775
Accretion of interest	195
Payments	(1,635)
At 31 December 2019 and 1 January 2020	5,335
Modification	225
Accretion of interest	152
Payments	(1,674)
At 31 December 2020	4,038

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

	2020 £'000	2019 £'000
Current liabilities	1,609	1,487
Non-current liabilities	2,429	3,848
	<u>4,038</u>	<u>5,335</u>

Contractual maturity of lease liabilities:

	At 31 December 2020		
	Up to 1 year	Between 1 year & 5 years	More than 5 years
	£'000	£'000	£'000
Lease liabilities	<u>1,609</u>	<u>2,429</u>	<u>-</u>

	At 31 December 2019		
	Up to 1 year	Between 1 year & 5 years	More than 5 years
	£'000	£'000	£'000
Lease liabilities	<u>1,487</u>	<u>3,848</u>	<u>-</u>

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Lease liabilities (continued)

	2020 £'000	2019 £'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	152	195

The weighted average incremental borrowing rate applied to the lease liabilities is 3.2% (2019: 3.2%).

19 Provisions for liabilities

	Dilapidations provision £'000	Insurance/claim provisions £'000	Total £'000
Movements on provisions:			
At 1 January 2019	-	1,120	1,120
Additional provisions in the year	1,023	-	1,023
Utilisation of provision	-	(619)	(619)
At 31 December 2019 and 1 January 2020	1,023	501	1,524
Additional provisions in the year	246	-	246
At 31 December 2020	1,269	501	1,770

Insurance/claim provisions relate entirely to professional indemnity (PI) claims and have been calculated based upon the directors' best estimate of the amount that may fall due. The recognised provision reflects the directors' best estimate of the most likely outcome, up to regional cap, but the ultimate amount payable for PI claims may be different depending on the final settlement agreements. The excess of claims above the regional cap is covered by WSP Global Inc. The insurance/claim provisions are expected to be utilised over the next 5 years.

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

20 Called up share capital	2020 £'000	2019 £'000
Ordinary share capital		
Authorised, issued and fully paid		
64,840,197 (2019: 64,840,197) of £0.05 each	3,242	3,242

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Related party transactions

Transactions with related parties:

	2020 £'000	2019 £'000
<i>Dividend income</i>		
- Subsidiaries	61,168	4,000
<i>Other transactions:</i>		
- Dividend paid to immediate parent company	61,144	4,000
- Finance income receivable from related party	1,824	3,517

Outstanding balances with related parties:

Amounts due from fellow group entities:

	2020 £'000	2019 £'000
Immediate parent company	870	831
Subsidiaries	1,348	1,408
Other fellow group entities	49,351	70,551
	<u>51,569</u>	<u>72,790</u>

Amounts due to fellow group entities:

	2020 £'000	2019 £'000
Ultimate parent company	(33)	(33)
Subsidiaries	(3,804)	(3,601)
Other fellow group entities	(2,225)	(2,186)
	<u>(6,062)</u>	<u>(5,820)</u>

Transactions with key management personnel:

There are no transactions with key management personnel in either the current or the prior year.

WSP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Financial instruments

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

The Company has an overdraft of £28,977,000 as at the year end (2019: £28,951,000).

The Company's interest bearing financial liabilities are charged at floating rates. There are no fixed rate or non-interest bearing liabilities (2019: £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.

The Company is party to an unsecured credit facility of US\$35,000,000. The arrangement is between a financial institution (the lender) and the Company (the borrower), with certain UK Group companies captured within the arrangement. Interest on the overdraft facility is 2.5% + Bank of England base rate (2019: 2.5% + Bank of England base rate). The arrangement is not subject to any covenants and is repayable on demand.

23 Guarantees and contingent liabilities

At 31 December 2020 and 31 December 2019 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 £248,600 (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.

24 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.

WSP GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****25 Cash generated from/(absorbed by) operations**

	2020 £'000	2019 £'000
Profit for the year after tax	61,168	5,540
Adjustments for:		
Taxation charged/(credited)	176	(1,013)
Finance costs	386	329
Dividend income	(61,168)	(4,000)
Finance income	(1,824)	(3,517)
Depreciation of right-of-use asset	301	1,612
Loss on disposal of investments	-	1,345
Increase/(decrease) in provisions	246	(619)
Decrease in lease liability	(1,297)	(1,440)
Decrease/(increase) in loans and other receivables	20,635	(1,931)
Increase in loans and other payables	197	486
Cash generated from/(absorbed by) operations	<u>18,820</u>	<u>(3,208)</u>