

REGISTERED NUMBER: 05528602 (England and Wales)

GUTTERIDGE HASKINS & DAVEY LIMITED

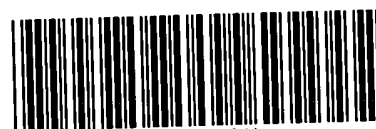
STRATEGIC REPORT,

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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FOR THE YEAR ENDED 30 JUNE 2017**

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GUTTERIDGE HASKINS & DAVEY LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017**

DIRECTORS:

M C Ingram
C W Stockton

SECRETARIES:

L M Elbourne
M D Jennings

REGISTERED OFFICE:

Level 1
Building 49 Thornton Science Park
Pool Lane
Ince
Chester
Cheshire
CH2 4NU
United Kingdom

REGISTERED NUMBER:

05528602 (England and Wales)

AUDITOR:

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF
United Kingdom

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2017**

The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

REVIEW OF BUSINESS

There was a £1,667,319 increase in gross sales revenue for the year to £8,409,716 (2016: £6,742,397). Net loss for the year was £1,622,357 (2016: profit £1,695,542 after dividends of £3,060,334 from GHD Livigunn Limited).

2016/17 was a challenging year for Gutteridge Haskins and Davey Ltd (GHD). Being particularly focused on the rail and infrastructure sectors, the moratorium on rail and infrastructure projects spending in the run up to and post general election in 2015 and subsequent general election in 2017, interspersed with the EU In/Out vote in June 2016 has continued to turn the work supply taps down. This has impacted on the work availability in all sectors as the general economic confidence in the UK has suffered, despite GDP growth remaining positive, albeit at low levels.

The effects of the announcement of the two largest infrastructure projects in the UK being given the green light in 2016/17, HS2 and Hinckley C Nuclear Power station, have yet to be felt, but the Directors are confident that for GHD, whilst not a primary contributor, there will be significant supply chain potential upside for GHD once those projects really get started.

The work availability manifests itself in challenges related to utilisation and margin, and particularly so given a more competitive environment driving selling rates down.

During FY17, we continued to secure work packages from our existing frameworks, in particular, with Transport for London in the areas of Rail Engineering, Project and Programme Management and Transport Planning, and the Network Rail - LEAN Framework.

Notwithstanding the above, 2016/17 has been a year of investment in the UK business, focused on people and training. Our burgeoning Power team based in Newcastle has now grown to a team of 30 people from a zero start in January 2016, and we have spent extensively on project management training for our teams to ensure our projects are delivered effectively and efficiently. This will stand GHD in good stead to return to delivering above sector average profits in years to come.

The ongoing integration program for the GHD UK business has progressed significantly in FY17, with the substantial project to bring a common accounting and finance system into the UK business, as a precursor to a global roll out. The Directors are delighted that the target date for the new financial system roll-out of 1st July 2017 was achieved ahead of schedule.

The enhanced financial and project reporting available from the new system is already having an impact on business efficiency.

Our strategy continues to remain robust, and FY18 will, when the three entities are combined, see significant growth of the UK business operations, this will provide a platform for further growth over the coming financial years. During FY15 the global business launched its 2020 strategy and the UK business is now focusing its efforts on the delivery of the business objectives contained within the 2020 strategy documentation.

The cash position of the Company has decreased from £757,352 at 30 June 2016 to £254,776 at 30 June 2017 primarily due to the purchase of tangible and intangible fixed assets of £392,533 and a reduction in advances received from related entities.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2017**

KEY PERFORMANCE INDICATORS

	2017	2016
Sales revenue	£8,409,716	£6,742,397
Gross margin % [1]	(4.3)%	(2.2)%
EBITDA [2]	(£2,116,322)	(£1,266,463)
Net profit/(loss)	(£1,622,357)	£1,695,542

[1] Being sales revenue less direct employee cost and job related disbursement, divided by sales revenue, expressed as a percentage.

[2] Being net loss before finance costs, tax, depreciation and impairment of goodwill and dividend income.

PRINCIPAL RISKS & UNCERTAINTIES

The acquisition of GHD Livigunn has brought with it a number of activities that require a focussed approach to ensure that any risks to business performance are managed. These include the development of a new project/financial management system, now complete, and ongoing activities encompassing rebranding, organisational restructuring, estates rationalisation and systems integration.

The company will continue to drive diversification and build deeper capability and a more extensive geographical UK coverage. GHD opened a new office in Newcastle in February 2017 to house our growing Power team, focused on opportunities within the power sector and this operation is now contributing significant revenue and profit to the business.

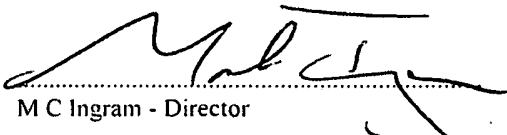
Developing enhanced capability within the expanded capability and enhancing our geographical footprint, supported by a specific UK focus on client engagement, will allow a suitable strategy to be developed around the most appropriate mix of public and private investment in projects within the combined business.

GOING CONCERN

As at 30 June 2017, the Company had net assets of £10,204,604 (2016: net assets £11,826,961) and accumulated losses of £8,069,131 (2016: £6,446,774). The ultimate parent company, GHD Group Pty Ltd, has undertaken to support the Company for a period of not less than 12 months from the date on which the financial statements are signed. The directors have considered this support and, after making enquiries of the directors of GHD Group Pty Ltd, have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of GHD Group Pty Ltd to continue as a going concern. For this reason the directors adopted the going concern basis in preparing the financial statements.

This report is made in accordance with a resolution of the Board.

ON BEHALF OF THE BOARD:


M C Ingram - Director

Date: 23.03.2018

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2017**

The Directors present their annual report and audited financial statements for the year ended 30 June 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of an international professional services company providing leadership in management engineering, the environment, planning and architecture.

DIVIDENDS

No dividends have been declared or paid by the Company.

DIRECTORS

M C Ingram has held office during the whole of the period from 1 July 2016 to the date of this report.

Other changes in directors holding office are as follows:

J C Dutton - resigned 18 November 2016

C W Stockton - appointed 18 November 2016

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matter or circumstance has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

GOING CONCERN

The financial statements have been prepared on the going concern basis, the reasoning behind this has been documented in the strategic report.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are a director at the date of approval of this annual report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as auditors will be proposed at the AGM.

This report is made in accordance with a resolution of the Board.

AUDITOR

The auditor, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


M C Ingram - Director

Date: 23.03.2018

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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. They 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GUTTERIDGE HASKINS & DAVEY LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017, and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (and IFRSs as issued by the International Accounting Standards Board (IASB)); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gutteridge, Haskins & Davey Limited (the 'Company') which comprise:

- the statement of profit or loss and other comprehensive income
- the statement of financial position
- the statement of changes in equity
- the statement of cash flows
- the notes to the statement of cash flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters:

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

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that this is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GUTTERIDGE HASKINS & DAVEY LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 have not identified any material misstatements in the directors' report or the strategic report.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
GUTTERIDGE HASKINS & DAVEY LIMITED**

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matter if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the director's report or from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Carl Acton

Carl Acton BA (Hons) ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF
United Kingdom

Date: 23 March 2018

GUTTERIDGE HASKINS & DAVEY LIMITED (REGISTERED NUMBER: 05528602)**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 £	2016 £
CONTINUING OPERATIONS			
Revenue		8,409,716	6,742,397
Cost of sales		<u>(8,769,399)</u>	<u>(6,896,232)</u>
GROSS LOSS		(359,683)	(153,835)
Administrative expenses		<u>(1,912,813)</u>	<u>(1,210,957)</u>
OPERATING LOSS		(2,272,496)	(1,364,792)
Finance income	4	<u>-</u>	<u>3,060,334</u>
(LOSS)/PROFIT BEFORE INCOME TAX 5		(2,272,496)	1,695,542
Income tax	6	<u>650,139</u>	<u>-</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(1,622,357)</u>	<u>1,695,542</u>
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		<u><u>(1,622,357)</u></u>	<u><u>1,695,542</u></u>

The notes form part of these financial statements.

GUTTERIDGE HASKINS & DAVEY LIMITED (REGISTERED NUMBER: 05528602)

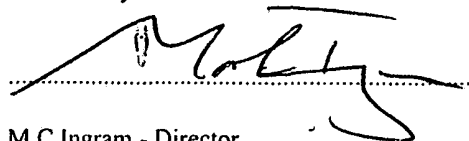
**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Notes	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	7	913,337	913,337
Intangible assets	8	61,436	-
Property, plant and equipment	9	402,126	227,203
Investments	10	11,872,480	11,872,480
Trade and other receivables	11	99,994	136,493
Deferred tax	18	254,157	-
		<u>13,603,530</u>	<u>13,149,513</u>
CURRENT ASSETS			
Trade and other receivables	11	2,209,014	3,271,331
Tax receivable		15,767	-
Cash and cash equivalents	12	254,776	757,352
Prepayments		309,136	169,209
		<u>2,788,693</u>	<u>4,197,892</u>
TOTAL ASSETS		<u><u>16,392,223</u></u>	<u><u>17,347,405</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	15,500,000	15,500,000
Other reserves	14	2,773,735	2,773,735
Retained earnings	14	(8,069,131)	(6,446,774)
TOTAL EQUITY		<u><u>10,204,604</u></u>	<u><u>11,826,961</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	15	3,217,788	3,022,202
Provisions	17	113,700	82,292
		<u>3,331,488</u>	<u>3,104,494</u>
CURRENT LIABILITIES			
Trade and other payables	15	2,844,435	2,373,328
Provisions	17	11,696	42,622
		<u>2,856,131</u>	<u>2,415,950</u>
TOTAL LIABILITIES		<u><u>6,187,619</u></u>	<u><u>5,520,444</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>16,392,223</u></u>	<u><u>17,347,405</u></u>

The financial statements were approved by the Board of Directors on its behalf by:

23.03.2018

and were signed on



M C Ingram - Director

The notes form part of these financial statements

GUTTERIDGE HASKINS & DAVEY LIMITED (REGISTERED NUMBER: 05528602)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 July 2015	15,500,000	(8,142,316)	2,773,735	10,131,419
Profit for the year and total comprehensive income	-	1,695,542	-	1,695,542
Balance at 30 June 2016	15,500,000	(6,446,774)	2,773,735	11,826,961
Loss for the year and total comprehensive income	-	(1,622,357)	-	(1,622,357)
Balance at 30 June 2017	15,500,000	(8,069,131)	2,773,735	10,204,604

The notes form part of these financial statements

GUTTERIDGE HASKINS & DAVEY LIMITED (REGISTERED NUMBER: 05528602)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

		2017 £	2016 £
Cash flows used in operating activities			
Cash used in operations	1	<u>(2,665,033)</u>	<u>(1,271,182)</u>
Net cash used in operating activities		<u>(2,665,033)</u>	<u>(1,271,182)</u>
Cash flows used in investing activities			
Purchase of intangible fixed assets		(81,840)	-
Purchase of tangible fixed assets		(310,693)	(178,001)
Purchase of fixed asset investments		-	(204,540)
Payment of deferred settlement		<u>(745,815)</u>	<u>(1,612,125)</u>
Net cash used in investing activities		<u>(1,138,348)</u>	<u>(1,994,666)</u>
Cash flows used in financing activities			
Change in amounts due from related entities		3,300,805	3,916,163
Loan advance to shareholders		-	(209,991)
Proceeds from borrowings		<u>-</u>	<u>209,975</u>
Net cash used in financing activities		<u>3,300,805</u>	<u>3,916,147</u>
(Decrease)/increase in cash and cash equivalents		<u>(502,576)</u>	<u>650,299</u>
Cash and cash equivalents at beginning of year	2	<u>757,352</u>	<u>107,053</u>
Cash and cash equivalents at end of year	2	<u><u>254,776</u></u>	<u><u>757,352</u></u>

The notes form part of these financial statements

**NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE INCOME TAX TO CASH USED IN OPERATIONS

	2017 £	2016 £
(Loss)/profit before income tax	(2,272,496)	1,695,542
Depreciation charges	156,174	98,329
Unrealised foreign exchange profit	-	(87,992)
Finance income	-	(3,060,334)
	(2,116,322)	(1,354,455)
Decrease/(increase) in trade and other receivables	(413,050)	(348,803)
(Decrease)/increase in trade and other payables	(135,661)	432,076
Cash generated used in operations	(2,665,033)	(1,271,182)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 30 June 2017

	30.6.17 £	1.7.16 £
Cash and cash equivalents	<u>254,776</u>	<u>757,352</u>

Year ended 30 June 2016

	30.6.16 £	1.7.15 £
Cash and cash equivalents	<u>757,352</u>	<u>107,053</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

1. AUTHORISATION OF FINANCIAL STATEMENTS & STATEMENTS OF COMPLIANCE WITH IFRS

The financial statements of Gutteridge Haskins & Davey Limited ('the Company') for the year ended 30 June 2017 were authorised for issue by the board of directors on Gutteridge Haskins & Davey Limited is a private limited company, registered in England and limited by shares. The principal continuing activity of the Company is that of a professional services company involved in management, engineering, the environment, planning and architecture. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Great British Pounds. The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of GHD Group Pty Ltd, a company registered in Australia, and is included in the consolidated financial statements of that company.

Going concern

As at 30 June 2017, the company had net assets of £10,204,604 (2016: net assets £11,826,961) and accumulated losses of £8,069,131 (2016: £6,446,774). The ultimate parent company, GHD Group Pty Ltd, has undertaken to support the Company for a period of not less than 12 months from the date on which the financial statements are signed. The directors have considered this support and, after making enquiries of the directors of GHD Group Pty Ltd, have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of GHD Group Pty Ltd to continue as a going concern. For this reason the directors adopted the going concern basis in preparing the financial statements.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Revenue recognition

Amounts disclosed as revenue are net of duties and taxes paid. Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met. The directors believe that sales revenue relating to professional services represents on class of business.

Consulting services revenue

Consulting revenue is measured at the fair value of the consideration received or receivable. When the outcome of a contract can be reliably estimated, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. When the outcome of a contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billing exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed from work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017**

2. ACCOUNTING POLICIES - continued

Dividend and interest income

Dividend income from investments is recognised with the 'shareholders' rights to receive payment have been established (provided that it is probable the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest on bank accounts is recognised as receivable.

Operating leases

The Company has entered into commercial property leases. The leases include a clause to enable upward revision of the rental charge on an annual basis according to the prevailing market conditions.

Incentives received at the beginning of the operating lease are recognised as liabilities. The aggregate benefits of incentives are recognised as reduction of rental expense on a straight line basis over the lease term. Lease payments relating to free rental periods are allocated between rental expense and increase of the asset.

Fixed price operating lease payments are charged to profit or loss on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income.

Cash and cash equivalents

Cash in the statement of financial position comprises cash at banks and on hand.

Trade receivables

Trade receivables are recognised at cost less provision for doubtful debts. The recoverability of trade receivables is reviewed on an ongoing basis. A provision for doubtful receivables is established when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The consideration also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed, that meet the criteria for recognition, on a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Investments

Non-current asset investments in subsidiary undertakings are initially stated at cost, being the fair value of the consideration given. Investments are reviewed annually to determine if an indication of impairment exists. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017**

2. ACCOUNTING POLICIES - continued

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting periods, and are discounted to present value where the effect is material.

Premises make good

The Company has legal obligations to 'make good' certain of its leasehold premises. Provisions are measured both initially and subsequently as the present value of the amount required to settle the obligation at the end of the reporting period.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. They are expected to be settled within one year.

Pensions

The Company operates a defined contribution pension scheme. Contributions to this scheme are recognised in profit or loss in the period in which they become payable.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Plant and equipment

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment value. Such costs includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is calculated on a straight line basis over the useful life of the assets. The costs of improvements to or on leasehold properties is amortised over the unexpired period of the lease, or the estimated useful life of the improvement to the Company, whichever is the shorter. An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is provided on all plant and equipment on a straight line basis over its expected useful life as follows:

Plant and equipment	- 3 to 5 years
Leasehold improvements	- 5 years

Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017**

2. ACCOUNTING POLICIES - continued

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting period and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

New accounting standards and interpretations

(a) New standards and interpretations adopted

In the current financial period, the Company has adopted all the applicable new and revised IFRSs that are relevant to its operations and effective for annual periods beginning on or after 1 July 2016. The adoption of any new/revised IFRSs does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current or prior periods.

(b) New standards and interpretations not applied

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers (Apr 2016)	1 January 2018
Annual Improvements to IFRSs: 2014-16 Cycle – IFRS 1 and IAS 28 Amendments (Dec 2016)	1 January 2018
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle – IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments (Dec 2017)	1 January 2019

The Company is currently undertaking an exercise to assess the financial impact of their adoption.

Significant accounting judgments, estimates and assumptions

Estimates and assumptions

Estimates and judgments are regularly evaluated and are based on managements experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The estimates and assumptions that have a potential risk of causing material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below:

Estimated impairment of cash generating units, including goodwill

The Company tests at the end of each reporting period whether goodwill has suffered any impairment, in accordance with the account policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 7 for details of these assumptions and the potential impact of changes to the assumption.

Work in progress

The accurate calculation of work in progress relies on accurate forecasts of contract costs to completion which are based on management's best estimate. At 30 June 2017 the net amount of work in progress was an asset of £401,983 (2016: £231,516). Refer to Note 11.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017**

2. ACCOUNTING POLICIES - continued

Judgement

In the process of applying the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the financial statements.

Taxes

The Company recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. At 30 June 2017, the unrecognised deferred tax asset was £1,174,026 (2016: £1,108,074). Refer to note 18.

3. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	4,910,007	3,686,202
National Insurance	536,351	421,893
Pension costs	284,751	276,036
Employee benefits	(30,926)	(14,143)
Other staff costs	-	1,805
	<u>5,700,183</u>	<u>4,371,793</u>

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

	2017	2016
	No.	No.
Directors	1	2
Professional staff	69	50
Support staff	7	9
	<u>77</u>	<u>61</u>

One of the directors (2016: one) is also professional staff, but, for the purpose of this note, they are only categorised as a director.

REMUNERATION OF DIRECTORS

	2017	2016
	£	£
Directors' emoluments	46,833	140,500
Contributions to defined contribution pension schemes	2,810	8,430
	<u>49,643</u>	<u>148,930</u>

The amounts are for the period during which directors are in office. Ashley Wright and Mark Ingram are also directors of related entities. Their emoluments and pension costs are disclosed in the financial statements of those entities and it is not possible to split the remuneration between the entities, hence no recharge is made. At 30 June 2017, one UK based director was in a defined contribution pension scheme (2016: one).

4. NET FINANCE INCOME

	2017	2016
	£	£
Finance income:		
Dividends income	-	3,060,334
	<u>-</u>	<u>3,060,334</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017

5. (LOSS)/PROFIT BEFORE INCOME TAX

The (loss)/profit before income tax is stated after charging/(crediting):

	2017 £	2016 £
Operating lease costs: buildings	248,886	243,155
Depreciation and amortisation	156,174	98,329
Net foreign exchange gains	(24,519)	(87,992)
Fees payable to the Company's auditor for the audit of the company's financial statements	30,000	28,080
Non audit fees - taxation compliance services	5,760	5,180

6. INCOME TAX

Analysis of tax income

	2017 £	2016 £
Current tax:		
Tax	(449,499)	-
Under provision in prior year	<u>53,517</u>	<u>-</u>
Total current tax	(395,982)	-
Deferred tax	<u>(254,157)</u>	<u>-</u>
Total tax income in statement of profit or loss	<u>(650,139)</u>	<u>-</u>

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
(Loss)/profit before income tax	<u>(2,272,496)</u>	<u>1,695,542</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.750% (2016 - 20%)	(448,818)	339,108
Effects of:		
Expenses not deductible for tax purposes	556	11,708
Income not taxable	-	(612,067)
Short term timing differences	-	(3,782)
Tax losses utilised	-	265,033
Under provision in prior year	<u>(201,877)</u>	<u>-</u>
Tax income	<u>(650,139)</u>	<u>-</u>

At 30 June 2017 a deferred tax asset of £254,157 was recognised. There was a potential deferred tax asset of £1,174,026 (2016: £1,108,074) in respect of unutilised tax losses, accelerated capital allowances and short term timing differences which was not recognised due to uncertainty as to whether it would be recovered.

Finance Act No2 2015, which was substantively enacted on 26 October 2015, included provisions to reduce the corporation tax to 19% with effect from 1 April 2017. A further cut to 17% with effect from 1 April 2020 has subsequently been enacted. Accordingly 19% has been applied when calculating deferred tax assets and liabilities as at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017

7. GOODWILL

	2017	2016
	£	£
Goodwill at cost (balance at 1 July and 30 June)	1,523,177	1,523,177
Less impairment (balance at 1 July and 30 June)	(609,840)	(609,840)
	<u>913,337</u>	<u>913,337</u>

Impairment tests for goodwill

Goodwill is allocated to the cash generating units (CGUs) identified according to business reporting unit (Operating Centre), on the basis of location of the business acquired. Management has determined that the business in the UK as a whole is a single CGU. The recoverable amount is the higher of value in use ("VIU") or fair value less costs to sell ("FVLCS").

In its impairment assessment the Company determines the recoverable amount based on a VIU calculation using cash flow projections based on financial budgets approved by management covering a one-year period and, where available, business forecasts of between 3-5 years. Cash flows beyond the budget or forecast period are extrapolated to 5 years using a long-term growth rate of 1%.

Cash flow projections are determined utilising the budgeted earnings before interest, tax, depreciation and amortisation (EBITDA), less capital maintenance spending and working capital changes, adjusted to exclude any uncommitted restructuring and acquisition integration costs and future benefits, to provided a "free cash flow" estimate. This is then discounted to its present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where impairment may be indicated a second valuations may be undertaken using FVLCS, the value that may be realised from divestment of business.

Discount rates

Post-tax discount rates reflect the Company's estimate of the time value of money and risks specific to each CGU. In determining the appropriate discount rate for each CGU, consideration has been given to the estimated weighted average costs of capital (WACC) for the Group adjusted for country and business risks specific to that CGU, including benchmarking against relevant peer group companies. The post-tax discount rate is applied to post tax cash flows that include and allowance for tax based on the respective jurisdictions tax rate. This method is used to approximate the requirement of the account standards to apply a pre-tax discount rate to pre-tax cash flows. Post-tax discount rate used was 10%

Budgeted Capital Expenditure

The cash flows for capital expenditure are based on annually set budgets and past experience and the amounts included in the terminal year calculation are replacement of plant as it is retired from service.

Budget working capital

Working capital has been maintained to support the underlying business plus allowances for growth and has been assumed to be in line with the historic trends given the level of utilisation and operating activity.

CGU Impairment

VIU calculations have been performed using management views of short to medium term growth of gross revenue with a 1% long term rate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017

8. INTANGIBLE ASSETS

	Computer software £
COST	
Additions	<u>81,840</u>
At 30 June 2017	<u>81,840</u>
AMORTISATION	
Amortisation for year	<u>20,404</u>
At 30 June 2017	<u>20,404</u>
NET BOOK VALUE	
At 30 June 2017	<u>61,436</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold £	Improvements to property £	Plant and machinery £	Totals £
COST				
At 1 July 2016	-	252,471	548,506	800,977
Additions	<u>112,084</u>	<u>49,150</u>	<u>149,459</u>	<u>310,693</u>
At 30 June 2017	<u>112,084</u>	<u>301,621</u>	<u>697,965</u>	<u>1,111,670</u>
DEPRECIATION				
At 1 July 2016	-	228,937	344,837	573,774
Charge for year	<u>25,884</u>	<u>26,800</u>	<u>83,086</u>	<u>135,770</u>
At 30 June 2017	<u>25,884</u>	<u>255,737</u>	<u>427,923</u>	<u>709,544</u>
NET BOOK VALUE				
At 30 June 2017	<u>86,200</u>	<u>45,884</u>	<u>270,042</u>	<u>402,126</u>
At 30 June 2016	<u>-</u>	<u>23,534</u>	<u>203,669</u>	<u>227,203</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017**

10. INVESTMENTS

	Shares in group undertakings £
COST	
At 1 July 2016 and 30 June 2017	<u>11,872,480</u>
NET BOOK VALUE	
At 30 June 2017	<u>11,872,480</u>
At 30 June 2016	<u>11,872,480</u>

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal Activity
GHD Livigunn Limited	Ordinary	100%	Project management and advice
GHD Environment Limited	Ordinary	100%	Environmental consulting service

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal Activity
Livingston Gunn Projects Limited	Ordinary	100%	Design and project management
George Hutchison Associates Limited	Ordinary	100%	Consulting engineers
Birkett Stevens Colman Partnership Limited	Ordinary	100%	Consulting engineers

Name	Registered office
GHD Livigunn Limited	Same as parent company
GHD Environment Limited	Same as parent company
Livingston Gunn Projects Limited	Same as parent company
George Hutchison Associates Limited	Same as parent company
Birkett Stevens Colman Partnership Limited	Same as parent company

11. TRADE AND OTHER RECEIVABLES

	2017 £	2016 £
Current:		
Trade receivables	1,309,448	1,161,960
Amounts due from contract customers	538,891	323,869
Amounts receivable from common controlled entities (note 20)	316,660	1,688,599
Interest bearing receivables	37,998	41,998
Other debtors	<u>6,017</u>	<u>54,905</u>
	<u>2,209,014</u>	<u>3,271,331</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017

11. TRADE AND OTHER RECEIVABLES - continued

Non-current:		
Interest bearing receivables	<u>99,994</u>	<u>136,493</u>
Aggregate amounts	<u>2,309,008</u>	<u>3,407,824</u>

Trade receivables**(a) Provision for doubtful debts**

Trade receivables are non-interest bearing and are generally on 30 days terms. A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired.

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	0-30 Days	31-90 Days	+91 Days
	£	£	PDNI*	PDNI*
	£	£	£	£
2017	1,309,448	783,287	369,787	156,374
2016	1,161,960	544,800	595,197	21,963

* Past due not impaired ("PDNI")

No provision for bad debts has been made in 2017 or 2016. The directors do not consider a provision for impairment of receivables to be required.

(b) Fair value and credit risk

Due to the short term nature of trade receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the carrying amount of receivables, net of provision for doubtful debts. New client credit assessments are undertaken where expected fees exceed £5,000, the detail being dependent on the fee. The credit risk of existing clients is reassessed where there are indicators of issues with timely collection of debts.

Work in progress	2017	2016
	£	£
Contracts in progress at the end of the reporting period:		
Revenue earned less recognised losses of contracts in progress at the reporting date	8,257,872	5,479,414
Less progress billings	<u>(7,855,889)</u>	<u>(5,247,898)</u>
Net work in progress	<u>401,983</u>	<u>231,516</u>
Amounts due from contract customers included in trade and other receivables	538,891	323,869
Amounts due to contract customers included in trade and other payables	<u>(136,908)</u>	<u>(92,353)</u>
Net work in progress	<u>401,983</u>	<u>231,516</u>

Amounts receivable from common controlled entities

Intercompany receivables are held as current on trading account for a period of less than 12 months, are unsecured and interest free.

The interest bearing receivables are payable over 5 years with an interest rate of 0%.

12. CASH AND CASH EQUIVALENTS

	2017	2016
	£	£
Bank accounts	<u>254,776</u>	<u>757,352</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value: £1	2017 £	2016 £
Number:	Class:			
15,500,000	Ordinary		<u>15,500,000</u>	<u>15,500,000</u>

14. RESERVES

	Retained earnings £	Other reserves £	Totals £
At 1 July 2016	(6,446,774)	2,773,735	(3,673,039)
Deficit for the year	<u>(1,622,357)</u>	-	<u>(1,622,357)</u>
At 30 June 2017	<u>(8,069,131)</u>	<u>2,773,735</u>	<u>(5,295,396)</u>

Other reserves represent a discretionary trust distribution from Bond Street Trust (an Australian Trust). The Company was nominated by the trustees as an income beneficiary of the Bond Street Trust.

15. TRADE AND OTHER PAYABLES

	2017 £	2016 £
Current:		
Trade payables	142,881	282,026
Amounts due to contract customers	136,908	92,353
Other interest bearing liabilities	37,998	41,998
Social security and other taxes	425,321	350,357
Amounts payable to common controlled entities (note 20)	1,780,473	778,407
Deferred settlement on acquisition	100,000	545,815
Other payables	87,329	189,571
Lease incentive	97,553	6,188
Accruals	<u>35,972</u>	<u>86,613</u>
	<u>2,844,435</u>	<u>2,373,328</u>
Non-current:		
Other interest bearing liabilities	85,478	136,477
Amounts payable to common controlled entities (note 20)	3,132,310	2,585,725
Deferred settlement on acquisition	-	300,000
	<u>3,217,788</u>	<u>3,022,202</u>
Aggregate amounts	<u>6,062,223</u>	<u>5,395,530</u>

Amounts payable to common controlled entities

Intercompany payables are held as current on trading account for a period of less than 12 months, are unsecured and interest free.

The interest bearing liabilities are payable over 5 years with an interest rate of 0%.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017

16. LEASING AGREEMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017 £	2016 £
Land and buildings		
Not later than one year	289,788	289,788
After one year but not more than five years	1,075,792	1,075,792
More than five years	264,728	554,516
	<u>1,630,308</u>	<u>1,920,096</u>

17. PROVISIONS

	2017 £	2016 £
Employee benefits	11,696	42,622
Make good provision	<u>113,700</u>	<u>82,292</u>
	<u>125,396</u>	<u>124,914</u>
Analysed as follows:		
Current	11,696	42,622
Non-current	<u>113,700</u>	<u>82,292</u>
	<u>125,396</u>	<u>124,914</u>

Nature and purpose of provisions**Employee benefits**

This is the Company's annual leave liability based on salary hourly rate with national insurance cost factored in. Annual leave entitlement is normally utilised within 12 months.

Premises make good

The Company has legal obligations to "make good" certain of its leasehold premises for which it makes a provision in line with the accounting policy set out at note 2.

Movements in provisions

	2017 £	2016 £
Employee benefits - current		
Carrying amount at beginning of year	42,622	57,620
Additional provision recognised	537,018	444,929
Provision utilised or transferred out	<u>(567,944)</u>	<u>(459,927)</u>
Provision at year end	<u>11,696</u>	<u>42,622</u>
Premises make good - non current		
Carrying amount at beginning of year	82,292	82,292
Additional provision recognised	<u>31,408</u>	<u>-</u>
Provision at year end	<u>113,700</u>	<u>82,292</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017**

18. DEFERRED TAX ASSET

	2017 £	2016 £
Balance at 1 July	-	-
Arising from losses in year	(254,157)	-
Balance at 30 June	<u>(254,157)</u>	<u>-</u>

The deferred tax asset represents unused current year losses and is expected to be covered by profits over the next 2 to 3 years.

19. CAPITAL COMMITMENTS AND CONTINGENCIES

There are no capital commitment or contingent liabilities at the statement of financial position date.

20. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. All transactions were made on arm's length. Those transactions with directors are disclosed in note 3 if any. Transactions entered into, and trading balance outstanding at 30 June 2017 with other related parties, are as follows:

Related party	Sales to related party £	Amounts owed by related party £	Amounts owed to related party £	Loans from related party £	Loan repaid to related party £
Ultimate parent entity	-	-	-	-	-
Common controlled entities	802,505	210,418	3,196,335	546,585	-
Subsidiary	-	106,242	1,716,447	-	-
Shareholders	-	137,992	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017**

20. RELATED PARTY TRANSACTIONS - continued

Transactions entered into, and trading balances outstanding at 30 June 2016 with other related parties, are as follows:

Related party	Sales to related party	Amounts owed by related party	Amounts owed to related party	Loans from related party	Loan repaid to related party
	£	£	£	£	£
Ultimate parent entity	-	-	365,363	-	-
Common controlled entities	349,749	786,645	2,624,000	2,164,442	-
Subsidiary	-	901,954	374,171	-	-
Shareholders	-	178,941	-	-	-

Parent Entity

The ultimate parent entity of the Company is GHD Group Pty Ltd and the immediate parent is GHD Holdings (UK) Ltd. For amounts receivable from and payable to members of the wholly owned Group, refer to notes 11 and 15.

21. PARENT UNDERTAKING

The immediate parent company is GHD Holdings (UK) Pty Ltd, a company registered in Australia. The ultimate parent company and controlling party is GHD Group Pty Ltd, a company registered in Australia. Copies of GHD Group Pty Ltd & Controlled Entities Consolidated Financial Statement can be obtained on application to the Company Secretary, Level 15, 133 Castlereagh St, Sydney, NSW 2000, Australia.

At the year end, GHD Group Pty Ltd was the parent company of the largest and smallest group of which the Company is a member and for which consolidated financial statements are drawn up.

22. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND RISK MANAGEMENT

(a) Financial instruments

The Company's principal financial instruments comprise receivables, payables and borrowings. At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables. The carrying amount reflected below represents the Company's maximum exposure to credit risk for such loans and receivables.

	2017	2016
	£	£
Financial assets		
Cash and cash equivalents	254,776	757,352
Trade and other receivables	2,309,008	3,407,824
	<u>2,563,784</u>	<u>4,165,176</u>
Financial liabilities		
Trade and other payables	2,708,884	2,625,142
Borrowings	3,255,786	2,764,200
	<u>5,964,670</u>	<u>5,389,342</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2017**

22. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND RISK MANAGEMENT- continued

(b) Financial risk management objectives and policies

The Company manages its exposure to key financial risks which are credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to receivables and use of loans from common controlled entities. Ageing analyses is undertaken to manage credit risk. Liquidity risk is monitored through future cash flow forecasts.

(c) Risk exposures and responses

(i) Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The principal credit risk is the non-payment of trade receivables by clients. The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures where expected fees exceed £5,000. Ageing analyses are undertaken to manage credit risk. Receivable balances are monitored on an ongoing basis to minimise the Company's exposure to credit risk.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. Liquidity risk is monitored through future cash flow forecasts. The Company maintains continuity and flexibility of funding through the use of bank facilities. A Revolving Credit Facility (RCF) was put in place with HSBC Bank plc on 28th June 2017. The RCF is £6million and has a term of 2 years. Loans must be a minimum of £500,000 with integral multiples of £100,000 and can be drawn down from the RCF for 1, 3 or 6 months in line with the selected interest period. The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and LIBOR rate. None of the facility had been drawn down as at 30th June 2017.

(iii) Market Risk

Market risk arises where there are changes in market conditions such as interest rates or foreign exchange rates.

(iv) Foreign Currency Risk

At the end of the reporting period, the Company did not have any foreign currency receivable. The Company's borrowings are in Great British Pounds. £149,362 (2016: £126,455) included within payables and receivables to related parties were in currencies other than Great British Pounds.

The Company's foreign currency exposure arises mainly from exchange rate movements of the Australian dollar against the Great British Pounds. The Company does not enter into financial derivatives to manage its foreign exchange risk.

A sensitivity analysis was carried out and should the Great British Pounds weaken/strengthen by +/-10%, the impact on the statement of comprehensive income would be £14,936 (2016: £12,646). The 10% is the change in foreign exchange rates that management deems reasonably possible.

(v) Interest Rate Risk

The Company's exposure to market interest rates relates primarily to the Company's borrowings. Interest rate of a loan from a common controlled entity, GHD Finance Pty Ltd, is fixed, which is the aggregate of the benchmark rates, which is the three month Sterling LIBOR published by the British Bankers Association on the draw down date, plus two and a half percent risk margin. Interest to be charged by GHD Finance Pty Ltd for 2017 is £nil (2016: £28,800).

(d) Capital management

(i) Risk management

The Company's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.