

# 2017

## FINANCIAL REPORT

SLR Management Limited  
Report and Financial Statements Year Ended 3 November 2017



# SLR MANAGEMENT LIMITED

Report and financial  
statements for the year  
ended 3 November 2017

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## **DIRECTORS**

N C Penhall | D E Buchanan | K G Rattue  
P R MacKellar | G C Love | P J Wilson  
J Crabtree | M Cook

## **SECRETARY AND REGISTERED OFFICE**

J M Green,  
7 Wornal Park, Menmarsh Road,  
Worminghall, Aylesbury, Buckinghamshire,  
HP18 9PH

## **COMPANY NUMBER**

06538090

## **AUDITORS**

BDO LLP, Level 12, Thames Tower,  
Station Road, Reading, RG1 1LX



# CHAIRMAN'S STATEMENT

2017 has been another positive year for SLR. An improving picture on global economic growth and a more stable outlook in our key resource sectors of Oil & Gas and Mining & Minerals have helped underpin a strong performance for the business.

I am pleased to report that, through the efforts of our people and management, SLR has delivered a solid operating profit in 2017 of £3.8 million (2016: £4.1 million). The Group achieved EBITDA (earnings before interest, tax, depreciation and amortisation) before exceptional items and share-based payment charges of £13.8 million, which is ahead of the prior year by 4.1%, and operating profit before impairment increased by 21% to £4.9 million. Encouragingly, these results have been delivered from our existing business, rather than through acquisitive growth, and also include investments in key areas that position the business for the medium-term growth opportunities.

In Oil & Gas, our largest market sector, year-end revenues came in at 14% up on the prior year. The end of our financial year also saw expanding opportunities in North America in particular, with increased confidence in both Canada and Alaska resulting in new work and a growing pipeline of opportunities.

As anticipated, the performance and opportunities in other sectors varied across our operating regions depending on market presence and the current services offered in these areas. New opportunities have been targeted and, for example, we have seen some positive outcomes in both the Infrastructure and Industry sectors in Europe, which we expect to grow as we move through 2018.

During the year we continued to benefit from the synergies gained from businesses acquired in previous years, whilst also actively targeting new acquisition prospects. We have also continued our highly successful strategy of cross-selling, both geographically and technically, in all sectors.

Overall, very good progress has been made in 2017 and the business is well positioned in 2018 and beyond for continued organic and acquisitive growth in all our regions.

## Group Results

The statutory results for the Group are reported for the 53 weeks to 3 November 2017. The previous year was a 52-week period. The highlights from the Group results are:

- Group turnover in 2017 amounted to £129.6 million, which was 15.2% above the 2016 figure of £112.6 million.
- Group operating profit in 2017 amounted to £3.8 million, which is 8.5% below the 2016 figure of £4.1 million, but includes £1.2 million of goodwill impairment charge.
- Earnings before interest, tax, goodwill amortisation and exceptional items amounted to £13.8 million in 2017, compared to £13.3 million in 2016. Foreign exchange gains and losses are included within reported earnings.
- Net cash inflow from operations remained strong at £8.9 million for the year compared to £11.6 million in 2016. The lower cash inflow from operations in the current was due to certain invoices remaining overdue which have since been collected.
- Consolidated net assets at 3 November 2017 stood at £40.8 million compared to £42.9 million at 28 October 2016.
- The year-end consolidated balance sheet includes, within intangible fixed assets, goodwill with a carrying value of £46.7 million, which arose from the acquisition of the Group on 27 May 2008 and subsequent acquisitions. The goodwill is being amortised over the directors' estimate of its useful economic life, being between five and twenty years dependent on the acquisition made.
- SLR Management Limited has not paid or declared any dividends during the year.

## Our People

The Group's inherent value lies in its people and it is important to acknowledge that it is the tremendous effort and hard work undertaken by employees around the globe that results in the success of SLR.

SLR continues to demonstrate strong and stable leadership across the business, including my colleagues on the Board who have continued to show excellent commitment and collaborative leadership in 2017.

As ever, the Board was supported by an outstanding team of regional and operational managers from across our global business, many of whom have given considerable years of service to the Group. Their talents have been supplemented in 2017 by the addition of a number of new leaders through promotion and recruitment.

During 2017, average group staff numbers have increased from 1,138 to 1,184 in 2017 and stood at 1,208 at year-end 2017. The culture of share ownership within the Group continues to be deeply embedded, with over 50% of staff having some ownership of the business. Broad-based share ownership helps build the 'one team' ethic of the Group and is a cornerstone of success for SLR.

Most importantly, I would like to take this opportunity to pay my personal tribute to all our staff around the world for their considerable efforts during 2017.

Graham Love, Chairman  
1 May 2018



# CHIEF EXECUTIVE'S REVIEW

Throughout 2017 SLR continued to push forward with its strategy of geographical and sectoral diversification, underpinned by a focus on our five key elements: culture, clients, people, business and community.

I am pleased to report that, during a year in which we continued to see areas of global economic volatility and geopolitical uncertainty, SLR once again delivered encouraging expansion in our services and sectors, resulting in positive growth in both revenue and profitability.

Across the broad portfolio of our business, we witnessed the early stages of the expected market upturn in the Oil & Gas and Mining & Minerals sectors. Whilst uncertainty remains in some markets, overall we saw stronger growth during 2017 than in the previous year. This success was underpinned by the first key element of SLR - our culture. Our 'one team' approach continued to pay dividends as we were able to share, collaborate and move people and know-how to the in-demand markets. The evolution of our five elements strategy also allowed us to bring increased attention to other important aspects of our business, such as client focus, staff development, operational improvement and community involvement.

Overall in 2017, our top-line revenue grew by a pleasing 15.2% to £129.6 million. Although we continued to make a number of strategic and team hires, we did not complete any business acquisitions in 2017, so the revenue growth is organic. This performance also means SLR has grown revenue in every year since the global financial crisis first unfolded in 2009. Growth across our regions means that we continue to benefit from a well-balanced revenue distribution: Africa (5%), Asia-Pacific (16%), Canada (21%), Europe (33%) and US (25%).

Alongside the strong revenue growth we also saw another increase in EBITDA (earnings before interest, tax, depreciation, amortisation, exceptional items and share-based payment charge), up 4.1% to £13.8 million for the financial year.

## Our Sectors

Alongside the growth in our regional operations we saw encouraging improvements in sector performance with five out of six of our key sectors delivering revenue growth. I reported last year on the improving picture for stable commodity prices and the expected outlook for a pick-up in investment and development projects. We saw that picture unfold in 2017 and we were therefore able to deploy our broad base of skills and know how across a range of client projects. As previously highlighted, our flexible and collaborative approach allows us to allocate resources efficiently across geographies and to sectors in line with client need, as directed by our skilled leadership team of sector specialists.

Our revenue split by sector in 2017 remained balanced and diverse and was as follows: Built Environment (20%), Industry (11%), Infrastructure (17%), Mining & Minerals (17%), Oil & Gas (28%) and Power (7%).

After a small decline in 2016 revenue in our largest sector, Oil & Gas, we saw a strong recovery in 2017, which was up 14%. We benefitted not only from the uptick in investment confidence following the greater stability in the oil price, but also from our decision to both maintain and grow our capability in the sector through a challenging few years. Our ability to serve clients right through the asset lifecycle from advisory and exploration to operation and finally decommissioning means we have a

very attractive offer for our portfolio of Oil & Gas clients, many of whom we now serve in multiple geographies.

A similar situation occurred in the Mining & Minerals sector, where revenues increased by 17%. We have a clear and differentiated offering in this sector which extends from mining advisory, environmental, infrastructure, engineering and water management services to a particular capability in mine closure advice. The SLR team increasingly draws on specialist skills in multiple geographic regions to deliver a truly global capability, led by an integrated leadership team.

In Built Environment we saw our strongest sector performance with revenues up a very impressive 26%. We benefitted from not only a strong interest in housing and commercial development in the developed economies where we operate, but also a broadening of our service offering, particularly in Europe and Asia-Pacific, where we added significant skills in such technical disciplines as landscape architecture and transport planning. It is rewarding too to see those teams share resource and experience for the benefit of clients in different geographies and sub-sectors.

Alongside the desire for an improved Built Environment, we continue to see strong statements supporting further investment in Infrastructure from political and business leaders alike. We believe this should underpin continued confidence in this sector in all our operational markets. Our Infrastructure business saw a 20% improvement in revenues and is now spread across all our regions. Similar to other sectors, we have extended and invested in team collaboration and sharing of capabilities so one region can support another, where needed, in service development and market entry.



Marine Science team, New Zealand

During 2017 we continued to invest in services, people and capability for our Industry sector clients and were rewarded with further double digit growth at 10%, building on the strong improvement we achieved in the previous year. We continue to believe this is a sector where we will see growth, in particular from our advisory services capability in areas such as environmental and technical due diligence.

Power was the only key sector where we saw a decline in revenues in 2017, but this can be explained by delays and a hiatus period in a few significant projects. Our interests and capabilities in this sector have grown rapidly from a low base in recent years and we are confident that we will return to a growth trend in the coming years. Our capabilities now cover a wide range of technologies and sub-sectors and, as with transport infrastructure, we see no let-up in the market demand for new investment to support economic development and replace ageing and more carbon intensive sources of power.

## Our Regions

In Africa, our business was helped by the improved sentiment in the global mining and minerals sector, but market confidence was undermined by political uncertainty in South Africa, which remains our largest geographical market on the continent. We have held headcount and continued to invest in people so with a broadening capability, both by country and sector, and a changing political climate in South Africa, we are confident of a stronger outlook across the region.

Our Asia-Pacific operations continued the recovery following the resources sector decline and associated economic impacts. Revenues increased by just shy of 20% and EBITDA rose by an even more impressive 46%. This coming on the back of a 95% profit improvement the previous year. We have continued to recruit and broaden our service and geographic capability and are looking to do so again in 2018.

Our Canada region has also had an excellent year, benefitting both from our previous investment in service and sector diversification, and the bounce back in resource markets. Revenue was up by 28% and EBITDA by an even more impressive 41%. Staff numbers were also up by 10%. We are confident of further improvements in coming years, particularly with our plans to increase geographic coverage in key markets in the east of the country.

Our European operations continued to benefit from a broad sector exposure which diversifies our risk to any single market downturn, but cannot insulate us against an economy-wide shift in sentiment brought on by such developments as Brexit. Headline revenue continued to increase by 10% and headcount also increased again, but we were not able to achieve the same progress on profitability, albeit on the back of a very strong performance in 2016.

Our US operations have faced a couple of challenging years as it is the most dependent of all our regions on the Oil & Gas sector. It was very pleasing, therefore, to see it return to a growth trajectory with revenues up 11%. We continued

to invest in broadening both our service and geographic coverage, opening new offices in a number of locations. We will look to do more of the same in the coming years as we seek to realise marketing opportunities, in particular on the eastern seaboard of the US.

## Our People

As ever, we are indebted to the outstanding contributions and commitment of all our people in achieving the growth and progress of the business over the past year. I particularly value their commitment to uphold and extend SLR's special 'one team' culture for the benefit of everyone involved, not least our clients. Once again, I would like to offer my thanks to them for their contribution to SLR's continued success.

As in recent years, we have continued to attract new colleagues who want to be part of and help enhance our team. With the market polarising between very large, engineering-led firms and more specialist advisory and environmentally-focused practices, we increasingly see people drawn to SLR and our unique market positioning. We invested significantly in the 'bench strength' of our senior leadership team in 2016 and continued to do so last year. I would like to add a particular welcome to everyone who joined the SLR team in 2017.

# STRATEGIC REPORT

FOR THE YEAR ENDED 3 NOVEMBER 2017

**This strategic report sets out for stakeholders the environment in which SLR operates, the strategy that the Board of Directors (“the Board”) set in the context of that environment and the resulting performance for the year ended 3 November 2017.**

## Operating structure and environment

The principal activity of the Company is that of a holding company for the SLR group of companies (“the Group”), which provides environmental and advisory services from offices in Africa, Asia-Pacific, Canada, Europe and the US.

The Group has ten principal operating companies: SLR Consulting Limited, SLR Consulting (Canada) Limited, SLR International Corporation, SLR Consulting Australia Pty Limited, SLR Consulting (Africa) (Pty) Limited, SLR Consulting (South Africa) (Pty) Limited, SLR Environmental Consulting (Namibia) (Pty) Limited, SLR Environmental Consulting (Ireland) Limited, SLR Consulting France SAS and SLR Consulting NZ Limited, which operate from a network of international offices.

The key elements of the Group's success are the clarity and efficiency of its management structure, the quality of its management and financial systems, and its worldwide ‘one team’ culture.

The Group runs a consistent management structure across its five operating regions: Africa, Asia-Pacific, Canada, Europe and the US, each led by a Regional Manager. The regional management teams report to the Board. Every member of the environmental and advisory teams belongs to one of a number of service lines, driven by technical discipline, and these service lines are replicated across regions and work together collaboratively to provide client solutions. Working alongside the service line structure are client sector teams aligned to our principal focus industries: Oil and Gas, Built Environment, Mining and Minerals, Infrastructure, Industry and Power. The sector teams provide client leadership and ensure the Group understands and interprets industry trends.

The Group also operates dedicated HSE, quality, finance, marketing, IT and HR teams in most countries, all of which report to the relevant Regional Manager and Board Director.

## Principal risks and uncertainties

The Group has always sought to minimise risk in all aspects of its operation. Primary risks and risk mitigation measures are briefly considered below. Further information on risks and uncertainties are included in the Report of the directors on page 10.

Strategic risks are limited in the Group's business. As outlined above, it has a focused strategy closely aligned with its capabilities and is operating in growing markets. The Board is mindful of the risk of a failed or aborted acquisition and is not contemplating any major changes which could damage the business. The environmental sector is largely regulatory-driven, which helps mitigate the potential exposure to political or general economic risk. Advisory services are allied to the environmental sector, but also driven by changes (growth or decline) in sectors or economies. The most significant risk is one of reputation and the Group works hard to mitigate this risk by hiring and retaining high quality staff, and applying appropriate quality management procedures. The nature of the environmental sector tends to attract staff with high ethical standards. This is reinforced by the Group ethos and procedures. The overall strategic risk and associated ethical risk are considered low.

The management team has a track record of successful leadership and has considerable strength and depth. The Group has a fast-growing and highly motivated team of professional staff, many of whom have significant shareholdings in the Group. Risks associated with both management and key staff are considered low.

The Group has a broadly-spread business in terms of sector, geography and client base. The growing marketplace provides good opportunities to expand brand recognition. In terms of suppliers, the Group makes limited use of subcontractors, all of whom are subject to a strict approval process. Overall market risk, from either clients or suppliers, is considered low.

The Group normally undertakes work under its Standard Conditions of Engagement. Where this is not the case, all non-standard contracts are reviewed by either a dedicated contracts review team, nominated senior manager or director. If appropriate, non-standard contracts are referred to the Group's legal advisors to assess and contain the risk.

The Group has professional HR teams in each region that work with the Group's legal advisors to minimise risks associated with employment law. The overall legal and compliance risk is considered low-to-moderate.

Financial risks mainly centre on the leveraged nature of the business, although the level of operating profitability and strong cash flows are considered to make this a moderate-to-low risk. The Group has a robust finance function which minimises systemic risk. Overall, the financial risks are considered low.

The Group's operations expose it to a variety of financial risks, including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk. These are monitored by the Board and were not considered to be significant at the balance sheet date.

## Strategy

The Group's overall strategy is evaluated and assessed on an ongoing annual basis by the Board. The Board continues to believe that the most effective means of delivering enhanced shareholder value year-on-year will be to combine organic growth in our well-established businesses with carefully selected target bolt-on businesses, which will provide complementary additional skills.

The combination of the Group's continued focus on key sectors, together with nurturing and developing client opportunities both nationally and internationally in a 'one team' culture will, we believe, lead to strong profit growth in both absolute terms and relative to our competitors.

This year the Board again confirmed the Group's ambition to become the leading global consultancy for environmental and advisory solutions. To achieve this, it will continue to develop the five principal elements of its business: culture, clients, people, business and communities. The strategy and plans have been shared with all employees and the Board will continue to provide regular updates on progress to stakeholders.

## Performance

Group revenues in the year increased by 15.2% to £129.6 million (2016: £112.6 million) and operating profit declined to £3.8 million from £4.1 million in 2016. Operating profit before interest, tax, amortisation and exceptional items amounted to £11.9 million in 2017, compared to £11.5 million in 2016. This adjusted operating profit measure is considered the most appropriate method of assessing the underlying performance of the Group. The exceptional items include £1.2 million due to an impairment charge on the African region cash generating unit. Client retention remained excellent with again 57% of revenue derived from clients with whom SLR has worked for five years or more.

The results of the Group for the year are set out on page 22 and the financial position of the Group is set out on page 24. Further information on the review of the business and the directors' expectation of the development of the Group's activities for the coming year are given in the Chairman's statement and Chief Executive's review on pages 1 to 3. The period covered by the consolidated financial statements is from 29 October 2016 to 3 November 2017. The profit and loss account is set out on page 22 and shows the loss on ordinary activities for the year after accounting for amortisation, impairment, interest payable and taxation. No dividends were paid in the period on the Company's ordinary shares.

## Financial and banking arrangements

On 25 March 2018 SLR announced that it had agreed to partner with Charterhouse Capital Partners ("Charterhouse"), a leading European private equity firm, to support the business in its next phase of growth and development. As part of Charterhouse's investment, SLR's management team and other employees will retain a substantial equity stake in the business, while 3i will fully exit its holding in the Company. The transaction will be implemented by way of a conditional court approved scheme of arrangement by SLR and it is anticipated that completion will take place by mid-2018.

On 18 April 2018, we concluded agreement with the loan note holders to extend the redemption date of the loan notes issued from 31 May 2018 to 31 May 2019. The loan notes will continue to accrue interest at 10% in the intervening period.

On behalf of the Board



Neil Penhall  
Chief Executive  
1 May 2018

# BOARD PROFILES



**Neil Penhall (53)**  
Chief Executive

Neil has been with the business since 1995 and is the Chief Executive of SLR Management Limited and a director of a number of its subsidiaries with overall responsibility for the strategic direction and management of the group. Prior to becoming Chief Executive in 2013, Neil was responsible for all international operations outside of the Americas (Europe, Africa and Asia-Pacific). In addition to leading and directing the strategic growth, operations and diversification of the business, Neil had previously been Managing Director of the UK business from 2001 to 2009. Neil qualified as a mining engineer and has more than 30 years of experience in international environmental consultancy.



**Dianne Buchanan (46)**  
Chief Financial Officer

Dianne joined the board of SLR Management Limited in August 2016 as Chief Financial Officer to provide leadership across SLR on all financial and commercial matters. Dianne was previously with Mindshare, the media investment arm of WPP Plc, where she was CFO for the Europe, Middle East & Africa region. Before Mindshare, Dianne worked for the market research company Synovate, J Sainsbury's and Coca Cola; having previously obtained her chartered accountancy qualification with PwC. Dianne has an M.A. (Hons) in Economics and Accounting from the University of Edinburgh.



**Kevin Rattue (59)**  
Executive Director - Americas

Kevin is responsible for operations in the Americas and serves as Chairman of SLR International Corporation in the US and President of SLR Consulting (Canada) Limited, as well as being an Executive Director of SLR Management Limited. Prior to joining SLR in 2000, Kevin was the Chief Operating Officer of SECOR International, a \$100 million turnover international environmental consultancy with its head office in Seattle. Previously Kevin worked as an exploration geologist and is both a registered geologist and licensed hydrogeologist.



**Peter MacKellar (53)**  
Executive Director  
Europe, Africa, Asia-Pacific

Peter joined the Board of SLR Management Limited in January 2015 as Executive Director with responsibility for all international operations outside of the Americas (Europe, Asia-Pacific and Africa). Peter joined SLR from Sinclair Knight Merz ("SKM"), part of Jacobs Engineering Group Inc., where he was Chief Operating Officer, Europe, Middle East & Africa ("EMEA"). Peter gained a civil and structural engineering honours degree at Sheffield University, holds a diploma with distinction in engineering management from Bristol University and is a graduate of Insead Business School in France.

The SLR Management Limited Board is made up of eight directors, comprising four executive directors and four non-executive directors. Three of the non-executive directors are independent, with the other nominated by 3i Investments Plc.



**Graham Love (63)**  
Non Executive Chairman

Graham joined the Board of SLR Management Limited in 2012. He was formerly Chief Executive of QinetiQ, a position he held from 2005 to 2009, having joined the company in 2001. He is on the Board of STEMNET (Science, Technology, Engineering and Mathematics Network), the Advisory Board of SEMTA (Sector Skills Council for Science, Engineering and Manufacturing Technologies) and Metric Capital, and is a Senior Adviser at the Chertoff Group. Graham is also chairman of Xendo, TVR Parts and Racing Green Cars, and a past chairman of LGC and Eversholt. Graham chairs SLR's audit and remuneration committees.



**John Crabtree OBE (68)**  
Non Executive Director

John joined the Board of SLR Management Limited in 2004. He was formerly the senior partner at Birmingham-based corporate law firm Gowling WLG (formerly Wragge & Co.). John is also non-executive Chairman of Real Estate Investors Plc, Sense and the Birmingham Hippodrome Theatre Trust. He is the Chairman of Staffline Group Plc. John is a member of SLR's audit and remuneration committees.



**Pete Wilson (36)**  
Non Executive Director

Pete joined the Board of SLR Management Limited in 2013 and is a partner in 3i's international private equity business, leading its UK team. He has been at 3i since 2006 and has been involved in a number of transactions, particularly within the business services sector. Prior to 3i, he worked in strategy consulting at Accenture. Pete is a member of SLR's audit and remuneration committees.



**Mick Cook (63)**  
Non Executive Director

Mick joined the Board of SLR Management Limited in 2011. Mick has worked in the energy sector for more than 35 years and was formerly Managing Director – Operations at RPS Energy. He is a non-executive board member of MarineSpace, Kuradocs, Startled Frog and Neit Products. He is also Treasurer and a Council Member of the Society for Underwater Technology and has an MSc in Marine Geophysics, Geotechnics and Oceanography from Bangor University.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 3 NOVEMBER 2017

The directors present their report together with the financial statements for the year ended 3 November 2017. This report should be read in conjunction with the Strategic report.

## Results and dividends

The consolidated income statement is set out on page 16 and shows the loss on ordinary activities for the year. No dividends were paid in the period on the Company's ordinary shares.

## Shareholder Structure

The shareholder structure at 3 November 2017 was as follows:

3i	25.2 %
Directors and senior management	42.5 %
Other employees & EBT	32.3 %

During the year the SLR Holdings Employee Benefit Trust ("EBT") acquired 1,872,502 shares for a consideration of £1,495,256 by virtue of purchase from employees leaving the Group or reducing their working hours and disposed of 1,623,954 shares for a total consideration of £1,088,049. The EBT held 1,419,485 shares at 3 November 2017, representing 1.9% of the issued share capital at that date.

## Directors

The directors of the Company during the year were as follows:

N C Penhall  
D E Buchanan  
K G Rattue  
P R MacKellar  
G C Love  
P J Wilson  
J Crabtree  
M Cook

At 3 November 2017, third party indemnity insurance for the benefit of the Company's directors and officers was in force.

## Board Composition and Operation

The Board is regularly made up of four executive directors and four non-executive directors.

The current executive directors are:  
Neil Penhall (Chief Executive)  
Dianne Buchanan (Chief Financial Officer)

Kevin Rattue (Executive Director – Americas)  
Peter MacKellar (Executive Director – Europe, Africa, Asia-Pacific)

The non-executive directors are:  
Graham Love (Independent Chairman)  
Pete Wilson (3i Investments Plc nominated Director)  
John Crabtree (Independent Director)  
Mick Cook (Independent Director)

The Audit, Remuneration and Nomination Committees in each case comprise three non-executive directors. The Audit and Remuneration Committees meet periodically to undertake their responsibilities. The Nominations Committee meets as required.

## Audit Committee

The Audit Committee comprises three non-executive directors and is chaired by Graham Love. It meets as required and specifically to review the Annual Report and to consider the suitability and monitor the effectiveness of the internal control processes. The Audit Committee reviews the findings of the external auditors and reviews accounting policies and material accounting judgements.

The Audit Committee meets twice per calendar year with the auditors to discuss their objectivity and independence, the Annual Report, any audit issues arising, internal control procedures and any other appropriate matters. As well as providing audit related services, the auditors provide taxation advice, corporate finance services, share scheme advice and undertake work in relation to the statutory books. The fees in respect of the non-audit services provided are disclosed in note 6 and are not deemed to be of such significance to them as to impair their independence. The Audit Committee considers that the objectivity and independence of the auditors is safeguarded.

## Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Report of the directors and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Corporate Governance

SLR has had a strong system of governance in place throughout its existence. The Board believes that current standards are commensurate with the nature and size of the Group. The Board continues to review corporate governance issues in the light of current best practice and seeks continual improvement.

### Internal Control and Risk Management

The Group has always sought to minimise risk in all aspects of its operation. Primary risks and risk mitigation measures are summarised in the Strategic report, and detailed later in this report. In summary, many of the key areas of risk (strategic and ethical, management and key staff, clients and/or suppliers) are considered to be low; legal and compliance risks and accounting risks are considered to be low-to-moderate.

The Group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk. These are monitored by the Board and were not considered to be significant at the balance sheet date. The Group's policies towards each of these individual risks are addressed below.

Overall, the Board considers that perceived risk within the business is well managed, although the Board continues to monitor the risk profile as the Group develops.

### Credit risk

The Group's policy in respect of credit risk is to require appropriate credit checks on potential customers before projects commence.

### Cash flow and interest rate risk

Interest-bearing assets comprise cash and bank deposits, some of which earn interest at a market rate. The interest rate on bank borrowings is at market rate and the group's policy is to keep the bank borrowings within defined

limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. Where appropriate, the group will enter into appropriate interest rate hedging agreements to further mitigate the effects of interest rate fluctuations. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the performance of the Group.

### Liquidity risk

The Group's policy has been to ensure continuity of funding through acquiring an element of the Group's fixed assets under hire purchase contracts and finance leases and arranging funding for operations via medium and long-term loans. Bank facilities are committed to July 2019.

On 18 April 2018, we concluded agreement with the loan note holders to extend the redemption date of the loan notes issued from 31 May 2018 to 31 May 2019. The loan notes will continue to accrue interest at 10% in the intervening period.

### Foreign currency risk

The Group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The main foreign currencies in which the Group operates are the Australian Dollar, New Zealand Dollar, US Dollar, Canadian Dollar, South African Rand and the Euro. The Group has trading entities within Australia, New Zealand, the US, Canada, South Africa, Namibia, France and Ireland to mitigate the exposure to foreign currency risk in these markets. The Group does not use derivative financial instruments to mitigate foreign currency risk.

Overall the Board considers that perceived risk within the business is well managed, although the Board continues to monitor the risk profile as the Group develops.

## Employment Policies

The Group's business is based on attracting, retaining and motivating staff of the highest technical quality, who are also commercial in their approach and committed to the strategy and growth of the Group. The Board recognises that the retention and motivation of existing employees and the attraction of new high calibre employees is critical in a professional services company. As such, the Group uses a range of dedicated and sophisticated methods to achieve this, including professional training and development, a flexible approach to working hours and practices, and a wide range of staff incentives incorporating government approved ownership schemes.

### Employment of disabled persons

On the basis of information provided by applicants, and interviews conducted, SLR has received applications for employment from disabled persons during the period. These applicants were assessed in accordance with the Group's

equal opportunities policy, which confirms the Group's commitment to apply employment criteria which are fair, equitable and consistent regardless of an applicant's race, creed, colour, nationality, sex or disability.

With respect to existing disabled staff, they are treated in accordance with the Group's equal opportunities policy and are actively encouraged to partake in the career development and training programmes that are available to all staff.

#### *Employee involvement*

As a professional services firm with wide employee ownership, SLR is committed to providing all its employees with regular briefings on the development of the business and key issues affecting its staff. This is achieved in a number of ways, using both the IT systems and direct meetings and discussions.

SLR has an intranet site, SLR Connect, which provides a wide range of information to all staff including all employment policies, detailed financial information, news on fellow employees, company developments, etc. In addition, the management and senior technical staff convene regular staff meetings to update staff on the strategic and local development of the business, including the potential acquisitions of other companies. An essential part of these meetings is an open question and answer session where all employees are encouraged to raise any issues they may have for discussion.

#### *Career development and professional training*

The Group is committed to strong organic growth which provides clear opportunities for staff to develop their careers within the business. The Group also supports professional development and has programmes in place to help employees achieve Chartered status (or equivalent) in their chosen profession. SLR also supports staff in continuing education and is currently providing bursaries and support for several staff attending full or part-time university or college courses.

#### *Charitable initiatives and support*

The Group focusses on working with its employees to support charities local to their operations. As well as direct contributions to local charities, the Group also provides indirect support, such as paying employees' entrance fees for charitable events and providing staff time pro bono.

In 2017 SLR supported staff participating in a number of diverse charitable events, as well as making direct donations to a range of charities and local community projects through allocation of a percentage of the profits.

#### *Employee Incentives*

As well as providing staff with industry standard employment packages in terms of salary and other benefits, the Group runs a discretionary bonus scheme to which all staff are eligible. The Group also operates share option schemes to provide ownership to key employees. The employee ownership scheme is considered by the Board to have been very successful in retaining key employees who are delivering significant shareholder value.

#### *Corporate Social Responsibility*

The Board is committed to operating the Group in a socially and environmentally responsible manner and ensures that appropriate policies are in place to achieve that. The responsibility for ensuring compliance is delegated to the Board's executive directors and, by their nature, to every employee in their dealings with their colleagues, clients and the public at large.

The Group has existing policies covering Business Ethics, Environmental Standards, Equal Opportunities, Family Support, Charitable Contributions, Modern Slavery and Health & Safety. These are subject to regular review, are amended and updated as appropriate and are as follows:

#### *Business ethics*

SLR expects all staff to behave in a professional manner at all times, maintaining the highest standards of integrity, honesty and conduct, as well as obeying all applicable laws. The Group works for many clients in the same business areas and encourages employees to assess and report conflicts of interest, either personal or corporate, so these can be avoided or resolved to the satisfaction of all parties.

#### *Environmental standards*

As a leading international environmental consultancy, SLR is committed to improving its environmental performance. Although it is not a business with substantial direct environmental impact, the Group and its employees continually seek to minimise that environmental impact in a manner consistent with a growing group with its main activities focussed on reducing the environmental impact of its clients. Examples of the practical aspects of the environmental policy are the consistent review of the Group's vehicles to drive a sustained reduction in CO2 emissions (whilst also encouraging the use of public transport where possible), re-use and recycling of the waste stream where possible, and minimising heat and power usage in offices.

#### *Equal opportunities*

SLR is a people business and is committed to supporting all its employees. We afford equal opportunities to all employees and potential employees

regardless of race, creed, colour, nationality, sex or disability. We apply employment policies which are fair, equitable and consistent with the skills and abilities of our employees and the needs of the business. SLR will not perpetuate or condone any discriminatory act or attitude in the conduct of our business with the public or our employees and any acts of racial or sexual discrimination are regarded as disciplinary offences.

#### Family support

The Group also recognises the importance of work/life balance in the wellbeing of its employees. It has developed a series of "family-friendly" policies, and has encouraged part-time working and job share, where these are consistent with the needs of the individual and the Group.

#### Modern Slavery

In compliance with s.54 of the Modern Slavery Act 2015, SLR's Modern Slavery Statement sets out the steps taken by SLR Management Limited and SLR Consulting Limited to prevent slavery or human trafficking from taking place in our supply chains. The full statement is available at [www.slrconsulting.com](http://www.slrconsulting.com).

#### Health & Safety

The Group is committed to achieving and maintaining high standards of health and safety within the organisation. The Board is responsible for health and safety within the Group and for ensuring that safety remains a priority and an integral part of its activities. All regional operations conform to the Group's global safety expectations and have annual goals and objectives that are linked to these expectations, with appropriate personal accountabilities to ensure these goals are delivered. In some circumstances, SLR is required to also conform to client health and safety rules and procedures, and our employees are suitably inducted by these clients prior to working with them. SLR focuses its health and safety initiatives on accident prevention, good health promotion and overall risk mitigation so that we continue to protect our staff, clients and the general public. The Group is proud to have received a number of safety accolades and awards around the world from clients, independent auditors and from safety organisations.

#### Acquisitions

During the year we continued the integration process for businesses acquired in previous years whilst targeting new acquisition prospects. There were no new acquisitions made during the financial year ended 3 November 2017.

#### Post Balance Sheet Events

On 25 March 2018 SLR announced that it had agreed to partner with Charterhouse Capital Partners ("Charterhouse"), a leading European

private equity firm, to support the business in its next phase of growth and development. As part of Charterhouse's investment, SLR's management team and other employees will retain a substantial equity stake in the business, while 3i will fully exit its holding in the Company. The transaction will be implemented by way of a conditional court approved scheme of arrangement by SLR and it is anticipated that completion will take place by mid-2018.

On 18 April 2018, we concluded agreement with the loan note holders to extend the redemption date of the loan notes issued from 31 May 2018 to 31 May 2019. The loan notes will continue to accrue interest at 10% in the intervening period.

#### Auditors

All the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group and Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board



Dianne Buchanan  
Director  
1 May 2018

### Opinion

We have audited the financial statements of SLR Management Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 3 November 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 3 November 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other Information

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

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

We have nothing to report in this regard.

### Opinion 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 Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the directors have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

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

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

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

### *Responsibilities of directors*

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

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

### *Auditor's responsibilities for the audit of the financial statements*

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

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Simon Brooker, senior statutory auditor  
For and on behalf of BDO LLP, statutory auditor  
Reading, United Kingdom

1 May 2018

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

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 3 NOVEMBER 2017

	Note	2017 £	2016 £
<b>Turnover</b>	3	<b>129,631,210</b>	112,572,683
Cost of sales		<u>(60,031,069)</u>	<u>(50,994,348)</u>
<b>Gross profit</b>		<b>69,600,141</b>	61,578,335
Administrative expenses		<u>(65,846,855)</u>	<u>(57,475,692)</u>
<b>Operating profit before amortisation and exceptional items</b>		<b>11,913,209</b>	11,474,934
Amortisation of intangibles	10	<u>(6,376,153)</u>	<u>(6,559,057)</u>
Exceptional items	6	<u>(1,783,770)</u>	<u>(813,234)</u>
<b>Operating profit</b>	6	<b>3,753,286</b>	4,102,643
Interest receivable		<b>62,376</b>	46,802
Interest payable and similar charges	7	<u>(2,977,610)</u>	<u>(3,171,515)</u>
<b>Profit on ordinary activities before taxation</b>		<b>838,052</b>	977,930
Taxation on profit from ordinary activities	8	<u>(2,767,487)</u>	<u>(2,279,538)</u>
<b>Loss on ordinary activities after taxation</b>		<b><u>(1,929,435)</u></b>	<u>(1,301,608)</u>

All amounts shown relate to continuing activities.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 3 NOVEMBER 2017

	2017 £	2016 £
Loss for the year	<b>(1,929,435)</b>	(1,301,608)
Currency translation differences	<u>(507,043)</u>	<u>2,185,664</u>
<b>Total comprehensive (loss)/income for the year</b>	<b><u>(2,436,478)</u></b>	<u>884,056</u>

The notes on pages 23 to 44 form part of these financial statements

## CONSOLIDATED BALANCE SHEET AT 3 NOVEMBER 2017

Company Number 06538090	Note	2017 £	2017 £	2016 £	2016 £
<b>Fixed assets</b>					
Intangible assets	10		48,008,994		55,857,868
Tangible assets	11		2,851,099		3,180,592
			50,860,093		59,038,460
<b>Current assets</b>					
Debtors	13	38,393,815		35,134,131	
Cash at bank and in hand		11,885,494		13,963,857	
		50,279,309		49,097,988	
<b>Creditors: amounts falling due within one year</b>	15	(36,322,321)		(30,507,793)	
<b>Net current assets</b>			13,956,988		18,590,195
<b>Total assets less current liabilities</b>			64,817,081		77,628,655
<b>Creditors: amounts falling due after more than one year</b>	16		(23,844,430)		(34,497,248)
<b>Provisions for liabilities</b>	18		(190,058)		(237,572)
<b>Net assets</b>			40,782,593		42,893,835
<b>Capital and reserves</b>					
Called up share capital	20		73,639		72,519
Share premium account			36,217,122		35,729,536
Merger reserve			16,728,231		16,728,231
Profit and loss account			(12,236,399)		(9,636,451)
<b>Equity attributable to the owners of the parent company</b>			40,782,593		42,893,835

The financial statements were approved by the Board of Directors and authorised for issue on 1 May 2018.



Dianne Buchanan  
Chief Financial Officer

The notes on pages 23 to 44 form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 3 NOVEMBER 2017

	Share capital	Share premium	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£
<b>29 October 2016</b>	<b>72,519</b>	<b>35,729,536</b>	<b>16,728,231</b>	<b>(9,636,451)</b>	<b>42,893,835</b>
Loss for the year	-	-	-	(1,929,435)	(1,929,435)
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(507,043)	(507,043)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,436,478)</b>	<b>(2,436,478)</b>
<b>Contributions by and distributions to owners:</b>					
Share capital issued	1,120	487,586	-	-	488,706
Share-based payments	-	-	-	243,737	243,737
Shares acquired by employee benefit trust	-	-	-	(1,495,256)	(1,495,256)
Shares sold by employee benefit trust	-	-	-	1,088,049	1,088,049
<b>Total contributions by and distributions to owners</b>	<b>1,120</b>	<b>487,586</b>	<b>-</b>	<b>(163,470)</b>	<b>325,236</b>
<b>3 November 2017</b>	<b>73,639</b>	<b>36,217,122</b>	<b>16,728,231</b>	<b>(12,236,399)</b>	<b>40,782,593</b>

The notes on pages 23 to 44 form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 3 NOVEMBER 2017 (CONTINUED)

	Share capital £	Share premium £	Merger reserve £	Profit and loss account £	Total equity £
<b>31 October 2015</b>	<b>71,845</b>	<b>35,441,030</b>	<b>16,728,231</b>	<b>(10,038,478)</b>	<b>42,202,628</b>
Loss for the year	-	-	-	(1,301,608)	<b>(1,301,608)</b>
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	<u>2,185,664</u>	<u>2,185,664</u>
<b>Total comprehensive income for the year</b>	-	-	-	<b><u>884,056</u></b>	<b><u>884,056</u></b>
<b>Contributions by and distributions to owners:</b>					
Share capital issued	674	288,506	-	-	<b>289,180</b>
Share-based payments	-	-	-	191,052	<b>191,052</b>
Shares acquired by employee benefit trust	-	-	-	(1,112,300)	<b>(1,112,300)</b>
Shares sold by employee benefit trust	-	-	-	<u>439,219</u>	<u>439,219</u>
<b>Total contributions by and distributions to owners</b>	<b><u>674</u></b>	<b><u>288,506</u></b>	-	<b><u>(482,029)</u></b>	<b><u>(192,849)</u></b>
<b>28 October 2016</b>	<b><u>72,519</u></b>	<b><u>35,729,536</u></b>	<b><u>16,728,231</u></b>	<b><u>(9,636,451)</u></b>	<b><u>42,893,835</u></b>

The notes on pages 23 to 44 form part of these financial statements

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 3 NOVEMBER 2017

	Note	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Loss for the financial year		(1,929,435)	(1,301,608)
Adjustments for:			
Depreciation	11	1,668,366	1,607,168
Amortisation and goodwill impairment	10	7,576,153	6,559,057
Net interest payable		2,915,234	3,124,713
Taxation expense		2,767,487	2,279,538
Share-based payment charges	25	243,737	191,052
Increase in trade and other debtors		(5,424,702)	(757,378)
Increase in trade and other creditors		1,043,951	54,495
Foreign exchange		14,933	(161,271)
(Profit)/loss on disposal of fixed assets	6	(3,377)	2,585
<b>Cash from operations</b>		<b>8,872,347</b>	<b>11,598,351</b>
Interest paid		(1,362,447)	(1,481,331)
Taxation paid		(2,356,124)	(1,502,482)
<b>Net cash generated from operating activities</b>		<b><u>5,153,776</u></b>	<b><u>8,614,538</u></b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets		29,441	846
Purchases of tangible fixed assets		(1,335,917)	(663,849)
Deferred purchase consideration		(1,466,272)	(2,393,817)
Interest received		62,376	46,802
Acquisition consideration		-	(13,650)
<b>Net cash used in investing activities</b>		<b><u>(2,710,372)</u></b>	<b><u>(3,023,668)</u></b>
<b>Cash flows from financing activities</b>			
Share capital issued		488,706	289,180
Capital element of finance lease rentals		(482,874)	(397,340)
Loan repayments in year		(3,457,092)	(3,433,194)
New bank and other loans		-	408,481
Employee benefit trust transactions		(407,207)	(673,081)
Fee on new loans and related costs		-	(252,546)
Interest element of finance lease rental payments		(81,280)	(64,955)
<b>Net cash used in financing activities</b>		<b><u>(3,939,747)</u></b>	<b><u>(4,123,455)</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,496,343)</b>	<b>1,467,415</b>
Cash and cash equivalents at beginning of year		13,963,857	10,491,942
Foreign exchange (loss)/gain		(582,020)	2,004,500
<b>Cash and cash equivalents at end of year</b>		<b><u>11,885,494</u></b>	<b><u>13,963,857</u></b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		<b><u>11,885,494</u></b>	<b><u>13,963,857</u></b>

The notes on pages 23 to 44 form part of these financial statements

## COMPANY BALANCE SHEET AT 3 NOVEMBER 2017

Company Number 06538090	Note	2017 £	2017 £	2016 £	2016 £
<b>Fixed assets</b>					
Investments	12		72,869,054		73,648,037
<b>Current assets</b>					
Debtors	13	7,773,309		7,996,575	
Cash at bank and in hand		<u>1,485,873</u>		<u>3,848,854</u>	
		9,259,182		11,845,429	
<b>Creditors: amounts falling due within one year</b>	15	<u>(45,789,683)</u>		<u>(36,986,199)</u>	
<b>Net current liabilities</b>			<u>(36,530,501)</u>		<u>(25,140,770)</u>
<b>Total assets less current liabilities</b>			36,338,553		48,507,267
<b>Creditors: amounts falling due after more than one year</b>	16		<u>(16,839,800)</u>		<u>(26,163,314)</u>
<b>Net assets</b>			<u>19,498,753</u>		<u>22,343,953</u>
<b>Capital and reserves</b>					
Called up share capital	20		73,639		72,519
Share premium account			36,217,122		35,729,536
Profit and loss account			<u>(16,792,008)</u>		<u>(13,458,102)</u>
			<u>19,498,753</u>		<u>22,343,953</u>

The financial statements were approved by the Board of Directors and authorised for issue on 1 May 2018.



Dianne Buchanan  
Director

The notes on pages 23 to 44 form part of these financial statements

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 3 NOVEMBER 2017**

	Share Capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
<b>29 October 2016</b>	<b>72,519</b>	<b>35,729,536</b>	<b>(13,458,102)</b>	<b>22,343,953</b>
Loss for the year	-	-	(3,577,643)	(3,577,643)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b><u>(3,577,643)</u></b>	<b><u>(3,577,643)</u></b>
<b>Contributions by and distributions to owners</b>				
Exercise of share options	1,120	487,586	-	488,706
Share-based payments	-	-	<u>243,737</u>	<u>243,737</u>
<b>Total contributions by and distributions to owners</b>	<b><u>1,120</u></b>	<b><u>487,586</u></b>	<b><u>243,737</u></b>	<b><u>732,443</u></b>
<b>3 November 2017</b>	<b><u>73,639</u></b>	<b><u>36,217,122</u></b>	<b><u>(16,792,008)</u></b>	<b><u>19,498,753</u></b>
	Share Capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
<b>31 October 2015</b>	<b>71,845</b>	<b>35,441,030</b>	<b>(11,514,896)</b>	<b>23,997,979</b>
Loss for the year	-	-	(2,134,258)	(2,134,258)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b><u>(2,134,258)</u></b>	<b><u>(2,134,258)</u></b>
<b>Contributions by and distributions to owners</b>				
Exercise of share options	674	288,506	-	289,180
Share-based payments	-	-	<u>191,052</u>	<u>191,052</u>
<b>Total contributions by and distributions to owners</b>	<b><u>674</u></b>	<b><u>288,506</u></b>	<b><u>191,052</u></b>	<b><u>480,232</u></b>
<b>28 October 2016</b>	<b><u>72,519</u></b>	<b><u>35,729,536</u></b>	<b><u>(13,458,102)</u></b>	<b><u>22,343,953</u></b>

The notes on pages 23 to 44 form part of these financial statements

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 3 NOVEMBER 2017

## 1. Accounting policies

SLR Management Limited ("the Company") is a private company limited by shares and is incorporated in England & Wales. The address of the Company's registered office is given on the contents page. The Group consists of SLR Management Limited and all its subsidiaries. The nature of the Company's and the Group's operations, and their principal activities, are set out in the Strategic report. These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

### Reduced disclosures

In preparing the separate financial statements of the Company, advantage has been taken of the following disclosure exemptions permitted by the reduced disclosure regime within FRS 102:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts for financial instruments measured at amortised cost or cost less impairment, interest income/expense and net gains/losses for financial instruments measured at amortised cost and descriptions of hedging relationships;
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options and how the fair value of options granted was measured; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The following principal accounting policies have been applied:

### Basis of consolidation

The consolidated financial statements present the results of SLR Management Limited and its subsidiaries (i.e. entities the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits) as if they formed a single entity. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements incorporate the results of business

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

### Going concern

As a result of the partnership with Charterhouse being due for completion in mid-2018, refer to note 27 for further details, the group expects to refinance its current bank debt and settle the unsecured loan notes that are in existence along with any related accrued interest. As a contingency to enable the directors to satisfy themselves that the business is a going concern the group extended the repayment date on the loan notes from 31 May 2018 to 31 May 2019, refer to note 27. This was deemed necessary both to enable the directors to satisfy themselves over going concern and to ensure that the loan notes did not fall due for repayment prior to the completion of the partnership.

As a result of this, the directors have considered the cash flow requirements of the Group for a period covering at least twelve months from the date of approval of these financial statements. Based on these projections, the directors consider that both the Company and the Group will have sufficient cash resources during this period to pay all their liabilities as they fall due and, therefore, consider it appropriate to continue to prepare the accounts on a going concern basis.

### Turnover

Turnover is recognised at the fair value of the consideration received or receivable (net of VAT and local taxes) from the provision of work for external clients during the year in the ordinary nature of the business.

Services provided to clients during the year which, at the balance sheet date, have not been billed are recognised as turnover based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement. Provision is made against unbilled amounts on those engagements where the right to receive payment is contingent on factors outside the control of the business. Unbilled revenue is included in accrued income.

### Intangible Assets

#### a. Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the income statement over the directors' estimate of its useful economic life.

Goodwill arising on the acquisition of a company's trade and assets is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the income statement over the directors' estimate of its useful economic life.

Goodwill is being amortised over periods between 5 and 20 years dependent on the acquisition made.

### *b. Customer relationships*

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date.

After initial recognition, customer relationships are carried at deemed cost less any accumulated amortisation and any accumulated impairment losses. Impairment reviews are conducted where indicators of impairment arise.

Customer relationships are being amortised over periods between 7 and 8 years dependent on the acquisition made.

### *Impairment of fixed assets, goodwill and customer relationships*

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication of impairment the carrying value of the relevant asset, or cash-generating unit ("CGU") to which the asset has been allocated, is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods have decreased.

### *Tangible fixed assets*

Tangible fixed assets are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

### *Depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful lives, as follows:

Plant and machinery	-	20%-33% per annum
Fixtures and fittings	-	10%-33% per annum
Motor vehicles	-	17%-33% per annum
Computer equipment	-	33%-50% per annum

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively, if appropriate, where there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the income statement.

### *Investments*

Investments held as fixed assets are stated at cost less any provision for impairment. At a company level, where advantage can be taken of merger relief rules, shares issued as consideration for acquisitions are accounted for at nominal value.

### *Current and deferred taxation*

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

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

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

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

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

### *Leased assets*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset or, if lower, the present value of minimum lease payments payable during the lease term, both determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance

of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

### Foreign currency translation

#### a. Functional and presentation currency

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

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

#### b. Transactions and balances

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

### Pension costs

Contributions to the Group's defined contribution pension schemes are charged to the income statement in the period in which they become payable.

### Financial assets

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

Derivatives are measured at fair value at each reporting date. Any movement in the fair value is recognised in the income statement for the period.

### Financial liabilities and equity

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

### Finance costs

Finance costs are charged to the income statement over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

### Debt issue costs

Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument and are charged straight line to the income statement over the life of the debt instrument. Subsequent modification costs are charged to the income statement over the remaining life of the debt instrument.

### Employee benefit trust

The cost of the Company's shares held by an employee benefit trust ("EBT") is deducted from owners' equity in the consolidated balance sheet. Any cash received by the EBT on disposal of the shares it holds is also recognised directly in owners' equity. Other assets and liabilities of the EBT (including borrowings) are recognised as assets and liabilities of the Group.

### Share-based payments

The fair value of employee share option plans is measured at the date of grant of the option using an appropriate valuation model. The resulting cost, as adjusted for the expected and actual level of vesting of the options, is charged to income statement over the period in which the options vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity.

### Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- Merger reserve has arisen where advantage has been taken of merger relief rules.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

## 2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- *Determination of fair values of customer relationships acquired in business combinations*

The fair value of customer relationships acquired in business combinations is based on a method appropriate to the specific intangible asset and were derived on an income approach.

- *Useful lives of goodwill and customer relationships*

Intangible assets are amortised over their estimated useful lives with the charge recorded in administrative expenses. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in note 10.

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Impairment of intangible fixed assets*

The purpose of this exercise is to determine whether there are any indicators of impairment of the Group's intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Where indications of impairment exist over a cash-generating unit an impairment test is performed using a discounted cash flow model as at the period end. The key estimates and assumptions that feature in the impairment test is the selection of an appropriate pre-tax discount rate relative to the specific risks of the cash-generating unit and the preparation of pre-tax cash flows using board approved forecasts with growth rates that represent the directors' best estimates.

- *Trade debtors impairment loss*

Trade debtors are reviewed for impairment loss on an ongoing basis and provision made for any balances where there is uncertainty against the recoverability of the balance. This methodology is applied on a customer by customer basis.

- *Creditors, provisions and liabilities*

These are recognised at the balance sheet date and include amounts for accrued holiday pay, management and employee bonuses. Although these amounts are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

- *Deferred tax assets*

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits.

### 3. Analysis of Turnover

Turnover is wholly attributable to the principal activity of the group in the following geographic markets: (as determined by geography where work is performed)

	Group 2017 £	Group 2016 £
United Kingdom	30,246,956	31,060,854
United States	32,017,711	28,993,355
Canada	27,517,287	21,670,483
Europe	8,578,983	6,169,736
Asia-Pacific	21,307,770	17,726,890
Africa	7,459,081	6,521,199
Rest of the World	<u>2,503,422</u>	<u>430,166</u>
	<b><u>129,631,210</u></b>	<b><u>112,572,683</u></b>

### 4. Employees

	Group 2017 £	Group 2016 £
Staff costs consist of:		
Wages and salaries	61,817,203	54,330,040
Social security costs	4,571,306	4,073,357
Other pension costs	3,094,995	2,742,944
Share-based payments	<u>243,737</u>	<u>191,052</u>
	<b><u>69,727,241</u></b>	<b><u>61,337,393</u></b>

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

	Group 2017 Number	Group 2016 Number
Technical	990	944
Management and administration	<u>194</u>	<u>194</u>
	<b><u>1,184</u></b>	<b><u>1,138</u></b>
The Company has no employees.		

The company has no employees.

## 5. Directors' remuneration

	Group 2017 £	Group 2016 £
Directors' emoluments	709,386	534,811
Amounts paid to third parties in respect of directors' services	94,750	94,750
Payments to defined contribution pension schemes	<u>44,584</u>	<u>26,775</u>
	<b><u>848,720</u></b>	<b><u>656,336</u></b>
Emoluments of the highest paid director	<b><u>229,415</u></b>	<b><u>177,565</u></b>

There were 4 (2016: 5) directors in the Group's defined contribution pension schemes during the year.  
None of the directors exercised share options during the year (2016: 1).

## 6. Operating profit

	Group 2017 £	Group 2016 £
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	1,282,256	1,296,125
- leased assets	386,110	311,043
Amortisation	6,376,153	6,559,057
Impairment of goodwill	1,200,000	-
Hire of plant and machinery - operating leases	549,456	487,069
Hire of other assets - operating leases	4,427,434	3,997,957
Fees payable to the Company's auditor for the audit of the Company's annual accounts	63,650	63,000
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the Company's subsidiaries pursuant to legislation	275,631	297,590
- tax services	43,621	42,193
- all other services	70,743	86,647
Exchange differences	368,220	(717,631)
(Profit)/loss on disposal of fixed assets	<u>(3,377)</u>	<u>2,585</u>
A total charge of £1,783,770 (2016: £813,234) has been recognised in respect of exceptional administrative costs and relates to:		
	Group 2017 £	Group 2016 £
Impairment of goodwill	1,200,000	-
Redundancy costs	441,790	684,332
Office closure costs	<u>141,980</u>	<u>128,902</u>

The redundancy costs relate to restructuring of the Group's activities, primarily in UK and Asia-Pacific. The office closure costs primarily relate to the expenses incurred in respect of the closure of offices in Asia-Pacific during the year.

## 7. Interest payable and similar charges

	Group 2017 £	Group 2016 £
Bank loans and overdrafts	1,132,365	1,264,596
Hire purchase and finance leases	81,280	64,955
Unwinding of discount on deferred consideration	74,647	208,193
Debt issue and related costs	407,287	466,239
Interest rate hedge (credit)/charge	(76,411)	76,411
Other interest costs	<u>1,358,442</u>	<u>1,091,121</u>
	<u>2,977,610</u>	<u>3,171,515</u>

8. Taxation on profit/(loss) from ordinary activities

	Group 2017 £	Group 2016 £
<i>Current tax</i>		
UK corporation tax on profit of the period	697,775	775,871
Adjustments to UK corporation tax in respect of previous periods	(35,707)	-
Overseas tax	1,441,125	1,517,220
Adjustments to overseas tax in respect of previous periods	<u>82,573</u>	<u>66,254</u>
Total current tax	2,185,766	2,359,345
<i>Deferred tax</i>		
Origination and reversal of timing differences	<u>581,721</u>	<u>(79,807)</u>
	<u>2,767,487</u>	<u>2,279,538</u>
The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:		
	Group 2017 £	Group 2016 £
Profit on ordinary activities before tax	<u>838,052</u>	<u>977,930</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.41% (2016: 20.00%)	162,666	195,586
Effects of:		
Expenses not deductible for tax purposes	157,360	76,880
Amortisation and impairment of intangibles on consolidation	1,473,290	1,317,070
Adjustments to tax charge in respect of previous periods	(14,520)	(7,382)
Non-taxable income	(46,729)	(92,464)
Other permanent differences (including on consolidation)	(117,498)	(262,686)
Unrelieved tax losses and other deductions	23,547	239,028
Overseas provincial and capital taxes	77,840	100,135
Tax credits	-	92,249
Tax rate differences	488,816	548,153
Adjustment to deferred tax to average rate	538,654	105,449
Other items	<u>24,061</u>	<u>(32,480)</u>
Total tax charge for the period	<u>2,767,487</u>	<u>2,279,538</u>
Unused tax losses carried forward, subject to agreement with the tax authority, were as follows:		
	Gross losses	Unrecognised deferred tax asset
	£	£
At 3 November 2017	2,103,324	581,938
At 28 October 2016	1,736,401	466,865

The potential deferred tax asset has not been provided in these accounts due to uncertainty as to whether the asset would be recovered.

## 9. Loss for the financial period

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Group's loss for the year includes a loss after tax of £3,577,643 (2016: £2,134,258) dealt with in the financial statements of the Company.

## 10. Intangible assets

Group	Customer relationships £	Goodwill on consolidation £	Total £
<i>Cost</i>			
At 29 October 2016	2,495,724	94,849,604	97,345,328
Adjustments to cost of acquisition	-	<u>(272,721)</u>	<u>(272,721)</u>
<b>At 3 November 2017</b>	<b><u>2,495,724</u></b>	<b><u>94,576,883</u></b>	<b><u>97,072,607</u></b>
<i>Amortisation and impairment</i>			
At 29 October 2016	797,211	40,690,249	41,487,460
Provided for the year	415,954	5,960,199	6,376,153
Impairment losses	-	<u>1,200,000</u>	<u>1,200,000</u>
<b>At 3 November 2017</b>	<b><u>1,213,165</u></b>	<b><u>47,850,448</u></b>	<b><u>49,063,613</u></b>
<i>Net book value</i>			
<b>At 3 November 2017</b>	<b><u>1,282,559</u></b>	<b><u>46,726,435</u></b>	<b><u>48,008,994</u></b>
At 28 October 2016	<u>1,698,513</u>	<u>54,159,355</u>	<u>55,857,868</u>

Goodwill on consolidation is being amortised over the directors' best estimate of its useful economic life, being between 5 and 20 years dependent on the acquisition made.

Customer relationships are being amortised over the directors' best estimate of their useful economic life, being between 7 and 8 years dependent on the acquisition made.

The impairment loss recognised on goodwill in the year was £1,200,000 (2016: £Nil) and is included in administrative expenses in the Consolidated income statement. This arose as a result of our African region having faced some challenging market related trading conditions in the year, which triggered an impairment test. The directors considered the future outlook and, based on the resulting discounted cash flows, thought it appropriate to book an impairment charge in the current year. The Africa region's trading outlook remains positive and our diversified business is well positioned to take advantage of the improved market conditions.

## 11. Intangible assets

Group	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Computer equipment £	Total £
<i>Cost</i>					
At 29 October 2016	4,552,292	3,959,797	596,929	10,372,354	19,481,372
Additions	275,594	261,682	1,063	950,979	1,489,318
Disposals	(12,700)	(60,693)	(25,609)	(914,392)	(1,013,394)
Exchange differences	<u>(224,415)</u>	<u>(174,715)</u>	<u>(34,059)</u>	<u>(282,643)</u>	<u>(715,832)</u>
<b>At 3 November 2017</b>	<b><u>4,590,771</u></b>	<b><u>3,986,071</u></b>	<b><u>538,324</u></b>	<b><u>10,126,298</u></b>	<b><u>19,241,464</u></b>
<i>Depreciation</i>					
At 29 October 2016	3,466,564	3,213,520	480,281	9,140,415	16,300,780
Charge for the year	414,031	316,813	50,921	886,601	1,668,366
Disposals	(8,250)	(56,123)	(10,165)	(913,307)	(987,845)
Exchange differences	<u>(175,218)</u>	<u>(139,622)</u>	<u>(28,061)</u>	<u>(248,035)</u>	<u>(590,936)</u>
<b>At 3 November 2017</b>	<b><u>3,697,127</u></b>	<b><u>3,334,588</u></b>	<b><u>492,976</u></b>	<b><u>8,865,674</u></b>	<b><u>16,390,365</u></b>
<i>Net book value</i>					
<b>At 3 November 2017</b>	<b><u>893,644</u></b>	<b><u>651,483</u></b>	<b><u>45,348</u></b>	<b><u>1,260,624</u></b>	<b><u>2,851,099</u></b>
At 28 October 2016	<u>1,085,728</u>	<u>746,277</u>	<u>116,648</u>	<u>1,231,939</u>	<u>3,180,592</u>
Assets held under finance leases and hire purchase contracts:					
<i>Net book value</i>					
At 3 November 2017	<u>69,346</u>	<u>132,102</u>	<u>38,623</u>	<u>294,131</u>	<u>534,202</u>
At 28 October 2016	<u>95,440</u>	<u>203,195</u>	<u>77,143</u>	<u>424,113</u>	<u>799,891</u>

## 12. Fixed Asset Investments

Company	Group undertakings £
<i>Cost</i>	
At 29 October 2016	73,648,037
Additions	243,738
Adjustments to the value	<u>(272,721)</u>
<b>At 3 November 2017</b>	<b><u>73,619,054</u></b>
<i>Provisions for impairment</i>	
At 29 October 2016	
Impairment losses	<u>750,000</u>
<b>At 3 November 2017</b>	<b><u>750,000</u></b>
<i>Carrying amount</i>	
<b>At 3 November 2017</b>	<b><u>72,869,054</u></b>
At 28 October 2016	<u>73,648,037</u>

The additions to the Company's fixed asset investments include the fair value of share-based payment awards made to employees of subsidiary undertakings and the consideration for acquisition of subsidiary undertakings during the current or prior years. The impairment loss recognised on the Company's fixed asset investments in the year was £750,000 (2016: £Nil) and is included in administrative expenses. Refer to note 10.

## 12. Fixed Asset Investments (continued)

### Subsidiary undertakings

The principal subsidiary undertakings in which the Company's interest at the year-end was 20% or more are as follows:

Name	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
SLR Holdings Limited	England	Ordinary	100%	Holding company
SLR Group Limited*	England	Ordinary	100%	Holding company
SLR Consulting Limited*	England	Ordinary	100%	Environmental consultants
SLR International Corporation*	USA	Ordinary	100%	Environmental consultants
SLR Consulting (Canada) Limited*	Canada	Ordinary	100%	Environmental consultants
SLR Environmental Holdings Limited	Ireland	Ordinary	100%	Holding company
SLR Environmental Consulting (Ireland) Limited**	Ireland	Ordinary	100%	Environmental consultants
SLR Intermediate Holding Company Limited***	England	Ordinary	100%	Holding company
SLR Consulting Australia Pty Limited	Australia	Ordinary	100%	Environmental consultants
SLR African Holdings (Pty) Limited	South Africa	Ordinary	100%	Holding company
SLR Environmental Consulting (Namibia) (Pty) Limited†	Namibia	Ordinary	100%	Environmental consultants
SLR Consulting (South Africa) (Pty) Limited†	South Africa	Ordinary	100%	Environmental consultants
SLR Consulting (Africa) (Pty) Limited†	South Africa	Ordinary	100%	Environmental consultants
SLR Consulting NZ Limited	New Zealand	Ordinary	100%	Environmental consultants
SLR Consulting France SAS	France	Ordinary	100%	Environmental consultants

\* investment held by SLR Holdings Limited

\*\* investment held by SLR Environmental Holdings Limited

\*\*\* investment held by SLR Group Limited

† investment held by SLR African Holdings (Pty) Limited

The consolidated financial statements include amounts relating to SLR of North Carolina Corporation, a company established in the state of North Carolina, USA. Although the Group does not legally own the share capital of this entity, the directors and officers comprise only of management from SLR International Corporation who have the ability to adopt, amend and repeal its bylaws and therefore control the operating and financial policies of the entity. Local regulations prevent the Group holding the shares and the share capital is therefore held on behalf of the Group. Accordingly, the entity has been treated as a wholly owned subsidiary in these financial statements.

### 13. Debtors

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Trade debtors	29,670,733	-	25,745,913	-
Amounts owed by group undertakings	-	6,827,930	-	6,544,293
Other debtors	1,227,426	908,842	1,203,563	827,237
Accrued income	<u>4,683,213</u>	-	<u>5,153,802</u>	-
<b>Financial assets</b>	<b>35,581,372</b>	<b>7,736,772</b>	<b>32,103,278</b>	<b>7,371,530</b>
Prepayments	1,892,139	24,953	1,420,741	25,199
Deferred tax (note 14)	<u>920,304</u>	<u>11,584</u>	<u>1,610,112</u>	<u>599,846</u>
	<b><u>38,393,815</u></b>	<b><u>7,773,309</u></b>	<b><u>35,134,131</u></b>	<b><u>7,996,575</u></b>

All amounts shown under debtors fall due for payment within one year.

### 14. Deferred tax asset

The movement in the deferred tax asset is as follows:

	Group £	Company £
At 29 October 2016	1,610,112	599,846
Transferred from income statement	(629,236)	(588,262)
Adjustments	<u>(60,572)</u>	-
<b>At 3 November 2017</b>	<b><u>920,304</u></b>	<b><u>11,584</u></b>

The deferred tax asset at the balance sheet date is analysed as follows:

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Decelerated capital allowances	(94,911)	-	(192,323)	-
Short term timing differences	816,995	-	1,788,547	588,262
Unrelieved tax losses	<u>198,220</u>	<u>11,584</u>	<u>13,888</u>	<u>11,584</u>
	<b><u>920,304</u></b>	<b><u>11,584</u></b>	<b><u>1,610,112</u></b>	<b><u>599,846</u></b>

## 15. Creditors: amounts falling due within one year

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Bank loans (secured)	237,428	237,428	3,049,837	3,049,837
10% Fixed rate unsecured loan notes*	9,342,822	9,342,822	-	-
Trade creditors	8,836,996	89,775	8,177,591	107,888
Amounts owed to group undertakings	-	31,055,416	-	28,726,740
Obligations under finance leases and hire purchase contracts	316,004	-	439,425	-
Other creditors	1,106,895	513,967	1,740,439	684,470
Accruals	10,665,010	4,550,275	11,296,977	4,340,853
Interest rate swap (note 17)	-	-	76,411	76,411
<b>Financial liabilities</b>	<b>30,505,155</b>	<b>45,789,683</b>	<b>24,780,680</b>	<b>36,986,199</b>
Deferred income	3,573,480	-	3,273,821	-
Taxation and social security	2,167,462	-	2,229,211	-
Corporation tax	76,224	-	224,081	-
	<b>36,322,321</b>	<b>45,789,683</b>	<b>30,507,793</b>	<b>36,986,199</b>

\* Refer to Note 27.

## 16. Creditors: amounts falling due after one year

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Bank loans (secured)	23,309,522	16,839,800	24,018,303	17,077,227
Obligations under finance leases and hire purchase contracts	253,975	-	482,896	-
10% Fixed rate unsecured loan notes	-	-	8,614,281	8,614,281
Other creditors	280,933	-	1,381,768	471,806
<b>Financial liabilities</b>	<b>23,844,430</b>	<b>16,839,800</b>	<b>34,497,248</b>	<b>26,163,314</b>

The bank loans are secured by a fixed and floating charge over the assets of the Company and certain subsidiaries together with security deeds and share pledges regarding certain other subsidiaries, in conjunction with an assignment of certain Keyman insurance policies.

Included within short- and long-term other creditors are amounts totalling £907,326 (2016: £2,374,426) for the Group, of which £513,967 (2016: £1,156,276) being for the Company, which represent the directors' best estimate of deferred consideration payable in connection with the acquisition of subsidiary undertakings.

## 16. Creditors: amounts falling due after one year (continued)

<i>Maturity of debt:</i>					
Group	2017 Finance leases £	2017 Other loans £	2017 Unsecured loan notes £	2017 Bank loans £	2017 Deferred consideration £
Within one year*	316,004	114,793	9,342,822	237,428	907,326
In more than one year but not more than two years	198,885	27,153	-	23,309,522	-
In more than two years but not more than five years	<u>55,090</u>	-	-	-	-
	<u>569,979</u>	<u>141,946</u>	<u>9,342,822</u>	<u>23,546,950</u>	<u>907,326</u>
Company			2017 Unsecured loan notes £	2017 Bank loans £	2017 Deferred consideration £
Within one year*			9,342,822	237,428	513,967
In more than one year but not more than two years			-	<u>16,839,800</u>	-
			<u>9,342,822</u>	<u>17,077,228</u>	<u>513,967</u>
Group	2016 Finance leases £	2016 Other loans £	2016 Unsecured loan notes £	2016 Bank loans £	2016 Deferred consideration £
Within one year	439,425	135,004	-	3,049,837	1,516,025
In more than one year but not more than two years	307,023	151,534	8,614,281	237,336	858,401
In more than two years but not more than five years	<u>175,873</u>	-	-	<u>23,780,967</u>	-
	<u>922,321</u>	<u>286,538</u>	<u>8,614,281</u>	<u>27,068,140</u>	<u>2,374,426</u>
Company			2016 Unsecured loan notes £	2016 Bank loans £	2016 Deferred consideration £
Within one year			-	3,049,837	684,470
In more than one year but not more than two years			8,614,281	237,337	471,806
In more than two years but not more than five years			-	<u>16,839,890</u>	-
			<u>8,614,281</u>	<u>20,127,064</u>	<u>1,156,276</u>

\* Refer to Note 27.

## 16. Creditors: amounts falling due after one year (continued)

Terms and debt repayment schedule:

	Year-end balance £'million	Nominal interest rate % per annum
<b>3 November 2017</b>		
Senior debt	23.5	2.50% - 4.25% above <u>libor</u>
Loan notes	9.3	10%
<b>28 October 2016</b>		
Senior debt	27.1	2.50% - 4.25% above <u>libor</u>
Loan notes	8.6	10%

At 3 November 2017 the Group had access to an undrawn facility loan in the amount of £9.18 million (2016: £8.65 million).

Capitalised loan related costs are amortised over the life of the loan to which they relate.

The bank loans are secured by a fixed and floating charge over the assets of the Company and certain subsidiaries together with security deeds and share pledges regarding certain other subsidiaries, in conjunction with an assignment of certain Keyman insurance policies.

## 17. Financial instruments

The Group's and Company's financial instruments may be analysed as follows:

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
<b>Financial assets – Debt instruments measured at amortised cost</b>				
Debtors	<u>35,581,372</u>	<u>7,736,772</u>	<u>32,103,278</u>	<u>7,371,530</u>
<b>Financial liabilities – Measured at amortised cost</b>				
Creditors due within one year	30,505,155	45,789,683	24,704,269	36,909,788
Creditors due after one year	<u>23,844,430</u>	<u>16,839,800</u>	<u>34,497,248</u>	<u>26,163,314</u>
	<u>54,349,585</u>	<u>62,629,483</u>	<u>59,201,517</u>	<u>63,073,102</u>
<b>Financial liabilities – Measured at fair value through profit or loss</b>				
Interest rate swap	=	=	<u>76,411</u>	<u>76,411</u>

Financial assets that are debt instruments are measured at amortised cost and comprise trade debtors, other debtors, and accrued income.

Financial liabilities measured at amortised cost comprise bank loans, loan notes, trade creditors, deferred consideration, hire purchase contracts, other creditors and accruals.

Financial liabilities measured at fair value through the profit or loss comprise interest rate swaps.

The Group holds or issues financial instruments to finance its operations and enters into interest rate swap contracts to manage the interest rate risks arising from its sources of finance.

The interest rate swap derivatives are valued by the financial institutions that issued the instruments and are calculated at the present value of the estimated future cash flows based on observable yields. They are accounted for as fair value through income statement.

The value recognised through the profit or loss arising from movements in the fair value of the derivatives amounts to income of £76,411 (2016: £76,411 expense).

Information regarding the Group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Strategic report.

Operations are financed by a mixture of retained profits, bank borrowings, finance lease and hire purchase contracts, and long-term loans. Bank borrowings, finance lease and hire purchase contracts, and long-term loans are primarily used to finance capital investment. Working capital requirements are met principally out of floating rate bank borrowings, overdrafts and retained profits. Further details on the Group's approach to financial risks are provided in the Report of the directors.

## 18. Provisions for liabilities

<b>Group</b>	<b>Deferred taxation £</b>
At 29 October 2016	237,572
Credited to income statement	<u>(47,514)</u>
<b>At 3 November 2017</b>	<b><u>190,058</u></b>

## 19. Finance leases

The Group enters into finance leases for office equipment. These leases are classified as finance leases as the rental period matches the full useful economic life of the assets. Future minimum lease payments due under finance leases and hire purchase contracts are as follows:

	<b>2017 £</b>	<b>2016 £</b>
Not more than one year – current liabilities	<b>338,969</b>	482,567
Between one and five years – non-current liabilities	<b><u>263,380</u></b>	<u>508,936</u>
	<b><u>602,349</u></b>	<b><u>991,503</u></b>

## 20. Share capital

	Allotted, called up and fully paid			
	2017	2016	2017	2016
	Number	Number	£	£
<i>Equity</i>				
A ordinary shares of £0.001 each	<b>18,538,710</b>	18,538,710	<b>18,539</b>	18,539
B ordinary shares of £0.001 each	<b>54,607,908</b>	53,488,816	<b>54,608</b>	53,488
C ordinary shares of £0.001 each	<b>491,800</b>	<u>491,800</u>	<b>492</b>	<u>492</u>
	<b><u>73,638,418</u></b>	<u>72,519,326</u>	<b><u>73,639</u></b>	<u>72,519</u>

The following events took place during the year in respect of the Company's share capital:

- The Company allotted 1,119,092 B ordinary shares of £0.001 each totalling £1,120 following the exercise of share options by employees. A total amount of £488,706 was received in respect of these shares.

During the year ended 28 October 2016, the following events took place in respect of the Company's share capital:

- The Company allotted 673,740 B ordinary shares of £0.001 each totalling £674 following the exercise of share options by employees. A total amount of £289,180 was received in respect of these shares.

## 20. Share capital (continued)

The A ordinary, B ordinary and C ordinary shares rank pari passu, except that the Company's Articles of Association provide for a specific formula to be applied in the apportionment of the remaining assets of the Company after payment of its liabilities in the event of a return of assets on liquidation. All share classes are entitled to distributions. Holders of B and C shares do not have voting rights.

*Share options*

Year of grant	Options outstanding at 29 October 2016	Granted during the year	Exercised during the year	Lapsed/adjusted during the year	Options outstanding at 3 November 2017	Exercise price (pence)	Vesting period
	Number	Number	Number	Number	Number		
2010	1,049,705	-	(709,501)	(107,604)	232,600	40	Nov 2010 - Nov 2014
2011	1,569,194	-	(117,591)	(45,159)	1,406,444	40	Feb 2011 - Nov 2015
2012	1,422,500	-	(51,800)	(53,700)	1,317,000	40-50	Nov 2011 - Nov 2016
2013	1,528,320	-	(148,200)	(134,720)	1,245,400	50-65	Mar 2013 - Nov 2017
2014	1,204,005	-	(75,100)	(45,870)	1,083,035	50-65	Feb 2014 - Nov 2018
2015	1,930,050	-	(14,400)	(145,450)	1,770,200	65-67	Nov 2014 - Nov 2019
2016	1,201,500	-	(2,500)	(48,500)	1,150,500	67	Nov 2015 - Nov 2020
2017	-	<u>1,525,600</u>	-	<u>(16,100)</u>	<u>1,509,500</u>	67	Jun 2017 - Nov 2021
	<b><u>9,905,274</u></b>	<b><u>1,525,600</u></b>	<b><u>(1,119,092)</u></b>	<b><u>(597,103)</u></b>	<b><u>9,714,679</u></b>		

## 21. Commitments under operating leases

As at 3 November 2017, the Group had commitments under non-cancellable operating leases as set out below:

Group	2017 Land and buildings £	2017 Other £	2016 Land and buildings £	2016 Other £
Operating leases which expire:				
Within one year	<b>3,935,200</b>	<b>578,912</b>	4,122,809	831,106
In two to five years	<b>5,020,981</b>	<b>198,310</b>	6,132,470	427,147
Over five years	<b>675,386</b>	-	-	-
	<b><u>9,631,567</u></b>	<b><u>777,222</u></b>	<b><u>10,255,279</u></b>	<b><u>1,258,253</u></b>

## 22. Pensions

The Group operates defined contribution pension schemes. The assets of the schemes are held in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds.

## 23. Contingent liabilities and guarantees

The Company and certain subsidiaries thereof have guaranteed the Group's banking credit facilities, which are drawn down across the Group. At the year-end, the total outstanding borrowings covered by these guarantees totalled £23,984,722 (2016: £27,768,576).

At 3 November 2017 a subsidiary company, SLR Consulting Australia Pty Limited, had provided bank guarantees on leasehold premises amounting to £270,523 (2016: £202,863).

## 24. Related party disclosures

Key management personnel include all directors across the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group was £914,096 (2016: £709,920).

## 25. Share-based payments

SLR Management Limited operates equity-settled share-based remuneration schemes for employees. EMI and approved share schemes for UK employees and unapproved schemes for overseas employees. Options vest over a period of years and there are no performance criteria that must be satisfied. Options are exercisable for a period of up to 7 years from grant date subject to vesting conditions and lapse if the employee leaves.

Details of movements in options, by year of grant, together with information on the exercise price and period of the options is contained in note 20 to the financial statements.

	<b>2017 Weighted average exercise price (pence)</b>	<b>2017 Number</b>	<b>2016 Weighted average exercise price (pence)</b>	<b>2016 Number</b>
Outstanding at the beginning of the year	55.46	9,905,274	53.47	9,863,892
Granted during the year	67.00	1,525,600	67.00	1,201,500
Exercised during the year	44.06	(1,119,092)	43.50	(673,740)
Lapsed/adjusted during the year	56.05	(597,103)	60.13	(486,378)
Outstanding at the end of the year	<u>58.55</u>	<u>9,714,679</u>	<u>55.46</u>	<u>9,905,274</u>

The exercise price of options outstanding at the end of the year ranged between 40p and 67p and their weighted average contractual life was 3.47 years (2016: 3.58 years).

Of the total number of options outstanding at the end of the year, 7,347,084 (2016: 6,105,202) had vested but had not been exercised.

The weighted average fair value of each option granted during the year was 20.76p (2016: 18.01p).

The following information is relevant in the determination of the fair value of options granted during the year under the equity share-based remuneration schemes operated by SLR Management Limited:

	<b>2017</b>	<b>2016</b>
<b>Equity-settled</b>		
Option pricing model used	<b>Black Scholes</b>	Black Scholes
Weighted average share price at grant date (pence)	<b>67.00</b>	67.00
Exercise price (pence)	<b>67.00</b>	67.00
Option life (years)	<b>7.00</b>	7.00
Expected volatility	<b>34.16%</b>	30.19%
Expected dividend	<b>Nil</b>	Nil
Risk-free interest rate	<u><b>0.70%</b></u>	<u>0.25%</u>

The volatility assumption is based on an analysis of share price volatility for quoted companies operating in the same sector as the Group. The share-based remuneration expense for the Group comprises:

	<b>2017 £</b>	<b>2016 £</b>
Equity-settled schemes	<u><b>243,737</b></u>	<u>191,052</u>

## 26. Employee Benefit Trust

The SLR Holdings Employee Benefit Trust ("EBT") was established on 6 March 2006 to provide benefits to employees, former employees and their dependants ("the Beneficiaries"). Under the scheme, the trustee, SLR Trustee Limited, purchases the Company's shares from time-to-time. These shares are held until the vesting day for the benefit of the Beneficiaries, in such numbers or proportions that the Trustees deem reasonable. Shares held by the EBT which had not vested unconditionally in the Beneficiaries at the year-end were as follows:

	<b>Group 2017 Number</b>	<b>Group 2016 Number</b>
Number of shares held	<b><u>1,419,485</u></b>	<b><u>1,170,937</u></b>
	<b>£</b>	<b>£</b>
Market value of shares held	<b><u>951,055</u></b>	<b><u>784,528</u></b>

## 27. Post balance sheet events

On 25 March 2018 SLR announced that it had agreed to partner with Charterhouse Capital Partners ("Charterhouse"), a leading European private equity firm, to support the business in its next phase of growth and development. As part of Charterhouse's investment, SLR's management team and other employees will retain a substantial equity stake in the business, while 3i will fully exit its holding in the Company. The transaction will be implemented by way of a conditional court approved scheme of arrangement by SLR and it is anticipated that completion will take place by mid-2018.

On 18 April 2018, an agreement was concluded with the loan note holders to extend the redemption date of the loan notes issued from 31 May 2018 to 31 May 2019. The loan notes will continue to accrue interest at 10% in the intervening period.



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