

Company Registration No. 02438136

MWH EUROPE LIMITED

Annual Report and Financial Statements

For the 52 week period ended 31

December 2016

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MWH EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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MWH EUROPE LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

C Schefer
D Smith
D Barnes (appointed 7 July 2016, resigned 18 July 2017)
J Kuiken (resigned 15 June 2016)
A Wilson (appointed 18 July 2017)

COMPANY SECRETARIES

V Hall-Sturt
G Maloney
S Moist (resigned 1 December 2016)

REGISTERED OFFICE

Buckingham Court
Kingsmead Business Park
London Road
High Wycombe
Buckinghamshire
England
HP11 1JU

BANKERS

Bank of America NA
2 King Edward Street
London
EC1A 1HQ

Barclays Bank plc
PO Box 41
16 High Street
High Wycombe
HP11 2BG

AUDITOR

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

MWH EUROPE LIMITED

STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006. The parent Company's profit and loss account has been approved by the directors in accordance with section 414(1) of the act and the exemption conferred under section 408 to exclude the presentation of the parent Company's profit and loss account within these financial statements has been applied.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Activities

MWH Europe Limited is part of a global, strategic consulting, technical engineering and construction management firm focused on wet infrastructure. MWH Europe Limited is dedicated to innovation and committed to mastering and applying emerging technologies to create client-focused results. It has engaged in the consulting, engineering, construction, and management of some of the largest and most technically significant wet infrastructure projects in the world all supporting its overall mission of Building a Better World. The group has active branches in Dubai, Abu Dhabi and Qatar.

Financial review

Below is a summary of the consolidated group financial performance over the last two periods:

	52 week period ended 31 December 2016	52 week period ended 1 January 2016
	£000s	£000s
Gross revenues	181,709	162,326
Gross profit	55,868	56,533
Operating profit	9,418	14,437
Operating profit margin	5.2%	8.9%

Gross revenues for the 52 week period to 31 December 2016 increased for the group by 12.0% from 2015 (prior period: increase of 12.3%). Revenues increased for MWH UK, which is the most significant subsidiary in the group by 6.5% (prior period increase 12.7%), a reduction from prior year increase, mainly driven by the Middle East businesses and in line with expectations for the UK business for this stage of the AMP cycle. Revenues for the rest of the group also increased in line with expectation.

The operating profit for the 52 week period was £9,418,000 (prior period profit £14,437,000).

The after-tax profit for the 52 week period of £7,748,000 (prior period profit: £12,084,000) has been transferred to reserves.

The financial position of the group is set out on page 14. The cash balance has increased from £16,190,000 to £21,615,000 as a result of the cash generated from operations.

MWH EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

Market conditions and trends

Water Sector

The UK Water industry operates on five yearly asset management cycles, known as 'AMP's'. The sixth AMP cycle began on 1 April 2015 and we are currently involved in the early stages of AMP7 procurement with Yorkshire Water.

The company benefits from being a member of some significant AMP6 frameworks with water companies such as Southern Water, Northumbrian Water, Scottish Water, Severn Trent & Thames Water. Revenue opportunity is also expected to continue through 2017 as new projects are released on existing contracts and volume with United Utilities increases following recent contract wins.

Energy Sector

There is significant increased investment required to meet current and future energy demands and increase energy security in the UK. The medium-range trend for the energy sector is very good.

Solid Waste Sector

This market sector has a strong portfolio of work in the short and medium-term.

Infrastructure Sector

Public and private investment is targeted at national infrastructure and the medium-range trend for the infrastructure sector is good.

Overseas

The MWH Europe group has overseas subsidiaries, as outlined in note 15 of the financial statements. The main three subsidiaries are Stantec Spa, Stantec BV and MWH SA.

Stantec Spa Italy is ranked 6th among the largest Italian Engineering Companies, in 2016. Stantec Spa has a diverse portfolio of clients which enables them to balance the risk of facing the financial crisis of the EU region. Despite the existing difficulties in the engineering market condition, the 2016 KPIs are in line with the performance in 2015. In detail, the Company has grown in both Gross Revenue and Net Revenue performance, 15% and 8% respectively, while the total Gross Profit has not changed compared to the prior year. In 2016 the Company achieved the renewal of the three ISO 9001, ISO 14001 and OHSAS 18001 certifications and the accreditation to conduct project validation activities according to UNI CEI EN ISO/IEC 17020 standards. The Company continues to maintain a steady flow of commercial transactions and financial position with the associated companies of the Group. Due to the maintenance of strong business disciplines, and efforts to optimize costs, the Company was able to concentrate some investments in the marketing and development areas, which included a new senior resource dedicated to expand our business in the infrastructure Sector. Even in 2017 it is expected that the Marketing and Business Development will continue to drive the company growth in the Oil & Gas, Manufacturing and Public sectors, in new geographical and in new business areas also.

Stantec BV, based in the Netherlands is an environmental consultancy business employing 135 people. The Company has a diverse portfolio of clients and services with a primary focus on Soil, Compliance and Asset Management Services. Since 2014 the results have shown an improving trend with the positive results highly driven by the success of our Soil Risk Map. Because of the success of the Soil Risk Map, the results in 2016 were above expectation. For 2017 it is anticipated that the Dutch economy will continue to improve, resulting in increased opportunities and growth for the Dutch consultancy business.

MWH EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

Overseas (continued)

MWH SA (the MWH Belgium operation) specialises in providing international development consulting services mainly to prestigious institutions, such as the European Commission, the European Investment Bank and the African Development Bank. Services include program management, project management, management consulting and strategic consulting in projects within the Energy, Water and Climate Change sectors.

Market conditions in Belgium in the period ending 31st December 2016 saw intense market competition on the traditional sectors of the company. The sales and growth have been lower than budgeted but the marketing team has been progressively strengthening, including a new experienced business development director, which has allowed to secure good backlog towards the end of the year which will start to have an impact in 2017 onwards. Beside the investments in new marketing resources, some specific attention has been put on reducing fix costs. The performance of our existing projects was above target which has allowed to compensate some lower revenue due to delay in securing new projects. The overall outlook for the company remains very positive, with the sector protected from recession and Government budgets already secured up to 2020. This has resulted in a healthy pipeline of potential business for MWH Belgium, already seeing gains as a result of this with a large proportion of 2017 revenue already secured through existing projects and recent bidding success. This leaves the MWH Belgium business optimistic about the future and with a structural return to profitability from 2017.

MWH ResourceNet (India) Pvt Limited (based in India) provides support to the MWH Europe Limited Group as well as to other subsidiaries within the wider Stantec group.

Joint arrangements

The joint arrangements in the UK are: Two AMP5 joint arrangements - 4Delivery (a JA between Veolia, Costain and MWH) delivering work for Southern Water; and Optimise (a JA between Clancy Docwra, J Murphy & Sons Ltd, Barhale and MWH) delivering work for Thames Water and two AMP6 joint arrangements – ESH-MWH (a JA between ESH and MWH) and m2 (a JA between Mott MacDonald and MWH). Whilst not a separate legal entity, MWH UK Ltd is part of the Thames 'Eight2O' Alliance supporting delivery of their AMP6 capital programme.

There are also three current joint arrangements outside of the UK: MWH Gulf Consult (a Kuwait JA between MWH UK and Gulf Consult); MWH Khonji (a Bahrain JA between MWH Europe and Ismail Khonji Consultants) and MWH & I (a Cypriot JA between MWH SA and Antonis Ioannou).

Belgium entity MWH Sa contracts most of its work with the EU under consortium arrangements, partnering with two or more companies. Within the consortium the partners sign a partnership agreement, defining roles, responsibilities and inputs provided by each partner of the consortium to deliver the contracted work. The consortium is defined as a Unincorporated Joint Venture.

Under these consortium arrangements one party acts as leader of the consortium, signing the contract with the end client. MWH Sa acts as the consortium leader in a number of contracts, while for others MWH Sa is partner of the consortium.

Regulatory environment

In our major water sector market, OFWAT regulation remains stable. The situation is similar for the regulated energy market.

MWH EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

Business objectives and strategies and plans for growth

The company continues to invest in research and development as the directors regard this investment as important for the success of the business. The directors expect to continue to grow the business through targeted organic growth during 2017 and also explore acquisition opportunities as part of our longer term growth strategy.

PRINCIPLE RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors expect the principal risks and uncertainties within the group to be:

- In current market conditions, speed of growth in our other key sectors of energy, solid waste and infrastructure remains challenging and is an area of risk against our plans. The Company continues to focus on development in these areas of the business.
- Incentive based arrangements on a number of our contracts are related to meeting performance targets and are a principal area of uncertainty as these are determined at completion of the contract. Continued focus and review is in place with all relevant stakeholders of the business to ensure we have timely and accurate records to offset any potential risk liabilities.
- Continuing economic unrest and challenges in the Middle East still poses a risk to the longer term plan for these operations. However, the current situation is that the Middle East Branches are continuing to generate cash for the overall Company and local teams are in place to ensure continuation of services and understanding of local market conditions.

Financial risk management

The group is exposed to financial risks including credit risk, cash flow risk and liquidity risk.

Foreign exchange risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. No mitigating policies are in place at company level but are in place at ultimate parent company level to mitigate significant exposures to the overall group.

Credit risk

The group's principal financial assets are bank balances, cash and trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables, with exposure spread over a large number of counterparties, customers and diversified markets. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

MWH EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

Liquidity risk

In order to maintain liquidity to ensure sufficient funds are available for on-going operations and future developments, MWH Europe Ltd has access to direct borrowing under the group facility held by our ultimate parent company Stantec Inc. of up to \$800 million.

Going concern

The Directors consider it appropriate to adopt the going concern basis in preparing the 2016 financial statements for the following reasons:

- Although the group has recorded a net loss in the 2016 year, this is primarily due to the one-off Intercompany loan waiver and excluding this, has traded profitably during 2016;
- Medium term business prospects are good during the current AMP cycle and this is consistent with the Directors forecasts for the business; and
- Cash resources remain adequate throughout the forecast period.

Further details regarding the adoption of the going concern basis can be found in the Accounting Policies Note, page 21 of the financial statements.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of a disabled person should be, as much as possible, identical to that of a person who does not suffer from a disability.

Each year the Group conducts its' staff engagement survey. The purpose is to benchmark the level of staff engagement.

In addition, consultation with employees occurs at all levels, with the aim of ensuring that their views are considered when decisions are made that are likely to affect their interests, and so that all employees are aware of the financial performance of their own business units and of the group as a whole.

Regular meetings are held with employees to discuss the group's financial position and prospects. Opportunity is given at these meetings for senior executives to be questioned about matters that concern employees.

The introduction of our Well-Being campaign in the UK has been very well received by our employees providing support and opportunity to improve lifestyle, health and general well-being.

MWH EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

Corporate social responsibility

MWH Europe has a long track record of corporate responsibility that can be tracked back 160 years to the pioneering of large schemes that brought a continuous supply of water to homes in England, thereby preventing illness because of the lack of a clean water supply and effective sanitation. Sixteen decades later we are continuing to help meet these basic human requirements through projects and programmes across the continents. Also, through our support for organisations such as the international charity WaterAid and the Register of Engineers for Disaster Relief (RedR), we are helping to provide clean water and sanitation to those in need in developing countries.

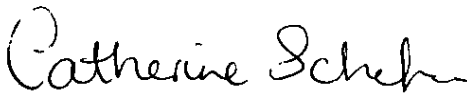
Environment and climate change initiatives

MWH Europe is proud to be part of the Clinton Global Initiative and we are continuing to deliver on our climate change commitment. We have pledged to cut our own carbon emissions, to help clients cut theirs and to educate communities on the need to tackle climate change. Our pioneering work in carbon measurement, flood adaptation and renewable energy projects has placed us at the vanguard of global efforts to combat climate change. We also have a strong commitment to social care, investing in people and contributing to communities. We are proud of the many ways in which our staff give back to the communities we serve through volunteering and fundraising activities.

Two key initiatives relate to climate change and community. MWH Europe has adopted a global climate change commitment based on three key objectives: client engagement to raise awareness and action; carbon footprint reduction and offsetting; and education of the communities that we work in. Community involvement is coordinated locally in each of our offices, involving many of our staff in volunteering and fundraising activities.

Approved by the Board of Directors and signed on behalf of the Board.

C Schefer
Director



for September 2017

MWH EUROPE LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the 52 week period ended 31 December 2016.

DIVIDENDS AND TRANSFERS FROM RESERVES

No dividends were proposed or paid in the current period or prior period.

DIRECTORS

The Directors who served during the period and since the period end are shown below:

C Schefer
D Smith
D Barnes (appointed 7 July 2016, resigned 18 July 2017)
J Kuiken (resigned 15 June 2016)
A Wilson (appointed 18 July 2017)

STRATEGIC REPORT

Information relating to the business review of performance; future prospects; going concern and post balance sheet events of the entity, as well as its' policy on the employment of disabled persons and employee consultation can be found in the Strategic Report on pages 2 to 7 which are included in this report by reference.

AUDITOR

Following the resignation of Deloitte LLP in 2016, the audit committee of MWH Europe Ltd newly appointed Ernst & Young LLP to carry out the audit of its statutory accounts for financial year ending 31st December 2016.

Each of the persons who is a Director at the date of approval of this report confirms that:

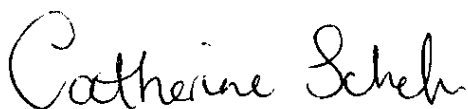
1. so far as the Director is aware, there is no relevant information of which the Company's auditor is unaware; and
2. the Director has taken all the steps that he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's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

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

Ernst & Young LLP have expressed their interest in continuing as independent auditor and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

C Schefer
Director
15 September 2017



MWH EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MWH EUROPE LIMITED

We have audited the financial statements of MWH Europe Limited for the 52 week period ended 31 December 2016 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement as set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MWH EUROPE LIMITED

COMPANY STATEMENT OF PROFIT AND LOSS 52 week period ended 31 December 2016

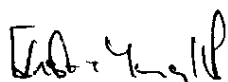
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MWH EUROPE LIMITED (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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



Alistair Denton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

13 September 2017

MWH EUROPE LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS 52 week period ended 31 December 2016

	Note	52 week period ended 31 December 2016 £'000	52 week period ended 1 January 2016 £'000
Continuing operations			
Revenue	5	181,709	162,326
Cost of sales		(125,841)	(105,793)
Gross profit		55,868	56,533
Administrative expenses		(46,887)	(43,368)
Other operating income	10	437	1,272
Operating profit		9,418	14,437
Investment revenue	8	636	614
Finance costs	9	(306)	(466)
Profit on ordinary activities before taxation		9,748	14,585
Tax on profit on ordinary activities	11	(1,999)	(2,512)
Profit for the financial period from continuing operations	6	7,748	12,073
Discontinued operations			
Profit for the period from discontinued operations	23	-	11
Profit for the financial period		7,748	12,084

MWH EUROPE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 52 week period ended 31 December 2016

	Note	52 week period ended 31 December 2016	52 week period ended 1 January 2016
		£'000	£'000
Profit for the financial period		7,748	12,084
Items that may be reclassified subsequently to profit or loss:			
Currency translation gain		3,394	57
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on the defined benefit pension scheme	24	(14,501)	(176)
Deferred taxation movement attributable to the actuarial loss	11,21	2,900	31
Deferred taxation movement attributable to the change in tax rate	11,21	(583)	(302)
Other comprehensive loss for the financial period		(8,790)	(390)
Total comprehensive (loss)/income for the financial period		(1,042)	11,694

The notes on pages 19 to 65 form part of these financial statements.

MWH EUROPE LIMITED

CONSOLIDATED BALANCE SHEET As at 31 December 2016

	Note	31 December 2016 £'000	1 January 2016 £'000
Non-current assets			
Goodwill	12	240	240
Other intangible assets	13	109	141
Property, plant and equipment	14	3,199	3,214
Investments	15	10	12
Deferred tax asset	21	3,803	2,754
		<u>7,361</u>	<u>6,361</u>
Current assets			
Trade and other receivables	16	71,783	76,779
Cash and bank balances		<u>21,615</u>	<u>16,190</u>
		<u>93,398</u>	<u>92,969</u>
Total assets		<u>100,759</u>	<u>99,330</u>
Current liabilities			
Trade and other payables	17	(46,801)	(45,720)
Deferred revenue		(6,800)	(1,054)
Obligations under finance leases	20	-	(1)
Current tax liabilities		<u>(497)</u>	<u>(389)</u>
		<u>(54,098)</u>	<u>(47,164)</u>
Net current assets		<u>37,796</u>	<u>45,805</u>
Non-current liabilities			
Other non-current payables	18	(336)	(360)
Provision for liabilities	19	(1,500)	-
Non-current tax liabilities		-	(670)
Retirement benefit obligations	24	<u>(17,057)</u>	<u>(4,926)</u>
		<u>(18,893)</u>	<u>(5,956)</u>
Total liabilities		<u>(72,991)</u>	<u>(53,120)</u>
Net assets		<u>27,768</u>	<u>46,210</u>
Equity			
Share capital	22	10,000	10,000
Retained earnings		<u>17,768</u>	<u>36,210</u>
Equity attributable to owners of the Company		<u>27,768</u>	<u>46,210</u>

The notes on pages 19 to 65 form part of these financial statements.

These financial statements of MWH Europe Limited, (registered number 02438136) were approved by the Board of Directors on 5 September 2017 and authorised for issue.

Signed on behalf of the Board of Directors

C Schefer, Director

Catherine Schefer

MWH EUROPE LIMITED

COMPANY BALANCE SHEET As at 31 December 2016

	Note	31 December 2016 £'000	1 January 2016 (Restated) £'000
Non-current assets			
Property, plant and equipment	14	6	7
Investments	15, 28	14,450	13,631
Deferred tax asset	21	120	626
		<u>14,576</u>	<u>14,264</u>
Current assets			
Trade and other receivables	16	1,794	18,339
Cash and bank balances		2,110	771
		<u>3,904</u>	<u>19,110</u>
Total assets		<u>18,480</u>	<u>33,374</u>
Current liabilities			
Trade and other payables	17	(22,731)	(23,685)
Net current liabilities		<u>(18,827)</u>	<u>(4,575)</u>
Non-current liabilities			
Non-current tax liabilities			(670)
Other non-current payables	18	(336)	(360)
		<u>(336)</u>	<u>(1,030)</u>
Total liabilities		<u>(23,067)</u>	<u>(24,715)</u>
Net (liabilities)/assets		<u>(4,587)</u>	<u>8,659</u>
Equity			
Share capital	22	10,000	10,000
Retained earnings		(14,587)	(1,341)
Equity attributable to owners of the Company		<u>(4,587)</u>	<u>8,659</u>

The exemption as permitted by section 408 of The Companies Act 2006 to exclude the parent Company's profit and loss account as part of these financial statements is being applied. The profit of the parent Company for the financial period was £56,000 (period ending 1 January 2016: loss £518,000).

The notes on pages 19 to 65 form part of these financial statements.

These financial statements of MWH Europe Ltd, (registered number 02438136) were approved by the Board of Directors on 5 September 2017 and authorised for issue.

Signed on behalf of the Board of Directors

C Schefer, Director

Catherine Schefer

MWH EUROPE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 2 January 2015	10,000	24,516	34,516
Profit for the period	-	12,084	12,084
Other comprehensive income for the period	-	(390)	(390)
Total comprehensive income for the period	-	11,694	11,694
Balance at 1 January 2016	10,000	36,210	46,210
Profit for the period	-	7,748	7,768
Other comprehensive loss for the period	-	(8,790)	(8,790)
Total comprehensive loss for the period	-	(1,042)	(1,022)
Distribution to fellow Group Company	-	(17,400)	(17,400)
Balance at 31 December 2016	10,000	17,768	27,788

MWH EUROPE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 2 January 2015		10,000	(1,533)	8,467
Profit for the period		-	(518)	(518)
Other comprehensive income for the period		-	119	119
Total comprehensive income for the period		-	(399)	(399)
Balance at 1 January 2016		10,000	(1,932)	8,068
Correction of prior period error	30	-	591	591
Balance at 1 January 2016 (Restated)		10,000	(1,341)	8,659
Profit for the period		-	56	56
Other comprehensive income for the period		-	98	98
Total comprehensive income for the period		-	154	154
Distribution to fellow Group Company		-	(13,400)	(13,400)
Balance at 31 December 2016		10,000	(14,587)	(4,587)

MWH EUROPE LIMITED

CONSOLIDATED CASH FLOW STATEMENT

	Note	52 week period ended 31 December 2016 £'000	52 week period ended 1 January 2016 £'000
Net cash from operating activities	27	21,986	3,244
Investing activities			
Interest received		636	629
Development expenditures capitalized		-	(157)
Purchase of property, plant and equipment		(1,419)	(2,220)
Proceeds on disposal of property, plant and equipment		11	10
Net cash used in investing activities		(772)	(1,738)
Financing activities			
Repayments of obligations under finance leases		(1)	(39)
Distribution of reserves to fellow Group Company		(17,400)	-
Net cash used in financing activities		(17,401)	(39)
Net increase in cash and cash equivalents		3,813	1,467
Cash and cash equivalents at beginning of the period		16,190	14,726
Effect of foreign exchange rate changes		1,612	(3)
Cash and cash equivalents at end of the period		21,627	16,190

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 week period ended 31 December 2016

1. GENERAL INFORMATION

MWH Europe Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 7.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out in Note 3.

2. ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current period, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRS 11
- Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS16 and IAS38
- Agriculture: Bearer Plants
Amendments to IAS16 and IAS41
- Equity Method in Separate Financial Statements
Amendments to IAS27
- Annual improvements: 2012 – 2014 cycle
Amendments to: IFRS5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS19 *Employee Benefits* and IAS34 *Interim Financial Reporting*.
- Disclosure Initiative
Amendments to IAS1
- Investment Entities: Applying the Consolidation Exemption
Amendments to IFRS10, IFRS12 and IAS28

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Company's consolidated financial statements.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **52 week period ended 31 December 2016**

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases
- IFRIC 22 Interpretation: Foreign Currency Transactions and Advance Consideration
- Amendments to the following standards:
 - IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
 - IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
 - IAS 7: Disclosure Initiative
 - IFRS 15: Clarifications
 - IFRS 2: Classification and Measurement of Share-based Payment Transactions
 - IFRS 4: Applying IFRS 9 with IFRS 4
 - IAS 40: Transfers of Investment Property
 - Annual improvements to IFRS Standards: 2014 – 2016 cycle

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Company has applied International Financial Reporting Standards (IFRSs) as adopted by the European Union issued by the International Accounting Standards Board (IASB), for its' Group financial statements.

For its' individual Company accounts, MWH Europe Limited has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) in the current period. Accordingly, these Company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under that standard:

- i) The requirements of IFRS 7 Financial Instruments: Disclosures
- ii) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - a) Paragraph 79(a)(iv) of IAS 1

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting (continued)

- b) Paragraph 73(e) of IAS 16 Property, Plant and Equipment
- c) Paragraph 118(e) of IAS 38 Intangible Assets
- iii) The requirements of IAS 7 Statement of Cash Flows
- iv) The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- v) The requirements of paragraphs 10(d), 10(f), and 134 to 136 of IAS 1 Presentation of Financial Statements.
- vi) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Where relevant, equivalent disclosures are given in these financial statements at consolidated level.

The financial statements are prepared under the historical cost convention. In the current period, the financial statements are made up to the final day of the year end, being 31 December. The requirements of the Companies Act with regard to the dating of the financial statements are therefore met. Comparative data is for the period ended 1 January 2016.

Going concern

Whilst the future economic outlook appears uncertain, after making enquiries, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. In considering the basis of preparation with regard to going concern, the Directors have prepared forecasts including cash flows for a period of not less than 12 months from the date of approval of these financial statements. The Directors have considered the impact of current economic conditions and have taken account of possible changes in the level and timing of cash flows.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The financial statements of all subsidiaries are prepared to 31 December 2016. The results of subsidiaries acquired are included in the income statement from the date that control passes to the Group. Intra-group transactions are eliminated fully on consolidation.

The Group's share of profits or losses of joint operations are included on a line by line basis in the consolidated income statement and the Group's share of the joint operations assets and liabilities are included on a line by line basis in the consolidated balance sheet.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion is computed as follows:

- costs incurred to date divided by the estimated total costs at completion, multiplied by the estimated revenue at completion date;
- revenue at completion is determined primarily by the terms of the contract and the original basic contract value; and
- the other major factors that are considered in determining revenue at completion are contract options, orders, claims and contract provisions for penalties and incentive payments, including awards fees and performance incentives;

Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of current liabilities on the face of the Balance Sheet.

Dividend and interest revenue

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

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on translation of the opening net assets and results of foreign branches are reported in the statement of comprehensive income. All other exchange differences are taken to the income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is not amortised but is reviewed for impairment on an annual basis, or more frequently when there is an indication that the cash generating unit to which it is attached may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Property, plant and equipment

Freehold land and buildings; plant and equipment and motor vehicles are all stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	50 years on original building and over 10 years on improvements
Freehold land	Not depreciated
Motor vehicles	4 years
Plant and equipment	3 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Fixed asset investments

Investments are carried on a historical cost basis, subject to adjustments for impairment.

Amounts recoverable on contracts

Where it is considered that the outcome of a long term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is calculated as that part of the total profit currently estimated to arise over the duration of the contract that fairly reflects the profit attributable to that part of the work performed at the accounting date. Where losses on contracts are expected, full provision is made for the estimated losses to the end of contracts in question.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

Current tax

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

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Leases

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

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company as lessee

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each 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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Research and development

The Company incurs expenditure on which research and development credits are claimed for tax purposes. The expenditure is based on the internal staff costs associated with projects identified as involving genuine research and development. Due to the nature of the expenditure, all research and development costs relate to the period in which the claim is made.

Retirement benefit obligations

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, is presented separately under non-current assets or liabilities on the face of the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit obligations (continued)

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's software development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised on a straight-line basis over the estimated useful life of the asset. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful economic life of other intangibles are as follows:

Development of soil risk map	3.25 years
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Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective bases.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Other financial liabilities

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

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

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

i) Revenue recognition

Accounting for revenue involves determining both the total revenue that will be earned on a contract and how and when that revenue should be allocated to specific accounting periods. The revenue recognition process involves considerable use of judgements and estimates in determining revenues, costs, and profits, and in assigning the amounts to relevant accounting periods.

The process is complicated by the need to evaluate continually the uncertainties inherent in the performance of contracts and by the need to rely on estimates of revenues, costs, and the extent of progress toward completion.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

i) Defined benefit obligation

The cost of defined benefit pensions plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions used are discussed in detail in Note 23.

ii) Impairment of goodwill and investment in subsidiaries

Determining whether the goodwill balance and investment in subsidiaries are impaired, requires an estimation of the value in use of the relevant cash generating units. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. An impairment loss of £85,000 was recorded at the transition date of 4 January 2014 to bring the carrying value of goodwill down to £240,000. A discount rate of 12% was used in the value in use calculation. No impairment losses on goodwill have been booked since then, as the value in use has been assessed as being sufficient to cover the carrying value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty (continued)

ii) Impairment of goodwill and investment in subsidiaries (continued)

For the investments in subsidiaries, at a Company level, value in use calculations were prepared for MWH SA in the 2016 financial period and for MWH India, MWH SA and Stantec BV in the 2015 financial period. No impairments have been booked in the 2016 period (in the 2015 period, an impairment loss was booked for the MWH India investment). The discount rates used in the 2015 and 2016 value in use calculations were 10% and 11% respectively. Further details of the impairment losses can be found in Note 15.

iii) Recoverability of assets

Assets are assessed for recoverability on an annual basis. Non-financial assets (which include property, plant and equipment) are assessed on an annual basis for any indication of an impairment loss. As at 31 December 2016, all property, plant and equipment is considered to be recoverable and no impairment losses have been booked (1 January 2016: same). Financial assets (which include trade and other receivables) are assessed for impairment on a collective basis and an allowance for doubtful debts account is used to record an estimated impairment loss. Doubtful accounts are provided for as soon as information available indicates that it is probable that amount due from the customer is doubtful of collection. Collectability of a receivable becomes doubtful when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the receivable. Recording an allowance for doubtful accounts represents use of estimation. As the estimate changes from one reporting date to another, the allowance amount is adjusted for by increasing or decreasing the doubtful debt expense as necessary. As at 31 December 2016, an allowance for doubtful debt balance of £693,000 has been recorded (1 January 2016: £705,000).

iv) Provision for contracts in defects period

In accordance with the more conservative approach of the Company's ultimate parent Stantec Inc., it has been considered to be prudent to reflect a provisional amount towards historical contracts that have not yet seen their limitation period concluded. There are currently no definitively determined obligations promised, however there is a measure of uncertainty of such an obligation arising within the next twelve months.

It is not possible to determine with any certainty when the claim assessment and litigation period might be concluded for any claim that may arise. Accordingly, it is also not possible to identify in advance the date of any outcome and potential reimbursement in respect of any such claim.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 31 December 2016

5. REVENUE

All turnover for the 52 week period ended 31 December 2016 and the 52 week period ended 1 January 2016 is attributable to the principal activity of the Group being management consultancy, programme management, engineering and consultancy to the infrastructure industry. Turnover is split geographically as follows:

	52 week period ended 31 December 2016 £'000	52 week period ending 1 January 2016 £'000
United Kingdom	82,386	75,362
Rest of Europe	67,350	51,781
Rest of the world	31,973	35,183
	<u>181,709</u>	<u>162,326</u>

There is no material difference between the analysis of turnover by geographical origin and geographical market.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

6. PROFIT FOR THE FINANCIAL PERIOD

	52 week period ended 31 December 2016 £'000	52 week period ending 1 January 2016 £'000
Profit for the period is stated after charging/(crediting):		
Amortisation of intangibles	52	16
Depreciation		
Owned assets	1,599	1,448
Leased assets	2	32
Redundancy costs	101	238
Loss on disposal of property, plant and equipment	10	30
Impairment loss on trade and other receivables	126	285
Reversal of impairment losses recognised on trade receivables	(104)	(534)
Foreign exchange loss	270	266
Claim provision expense	1,500	-

The analysis of auditor's remuneration is as follows:

	52 week period ended 31 December 2016 £'000	52 week period ending 1 January 2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	85	43
Fees payable to the Company's auditor and associates for other services to the Group:		
- The audit of the Company's subsidiaries pursuant to legislation	206	190
Total audit fees	291	233
Taxation compliance services	29	103
Total non-audit fees	29	103
Total fees	320	336

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 31 December 2016

7. STAFF COSTS AND ANALYSIS

	52 week period ended 31 December 2016 £'000	52 week period ending 1 January 2016 £'000
Directors' remuneration		
Short-term employee benefits	3,235	423
Post-employment employee benefits	55	48
	<u>3,290</u>	<u>471</u>
 Emoluments of the highest paid Director	 <u>2,482</u>	 <u>170</u>

Of the Directors being members of the defined benefit pension scheme, the highest paid Director's contributions in the period amounted to £33,576 (period ended 1 January 2016: £2,968). This accrued pension at 31 December 2016 amounted to £442,636. The highest paid Director is not a member of the defined benefit pension scheme, therefore had no accrued pension entitlements. (period ended 1 January 2016: £nil).

	52 week period ended 31 December 2016 £'000 No.	52 week period ending 1 January 2016 £'000 No.
Number of Directors who are members of the defined benefit pension scheme	<u>2</u>	<u>2</u>

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

7. STAFF COSTS AND ANALYSIS (CONTINUED)

	52 week period ended 31 December 2016 £'000	52 week period ended 1 January 2016 £'000
All employees (including Directors)		
Wages and salaries	60,371	52,170
Social security costs	6,120	6,060
Other pension costs	3,459	5,439
	<u>69,950</u>	<u>63,669</u>

	52 week period ended 31 December 2016 No.	52 week period ended 1 January 2016 No.
Average monthly number of persons employed (including Directors)		
Engineering	1,523	1,484
Marketing	16	15
Administration	159	144
	<u>1,698</u>	<u>1,643</u>

8. INVESTMENT REVENUE

Continuing operations:

	52 week period ended 31 December 2016 £'000	52 week period ended 1 January 2016 £'000
Interest revenue		
Bank interest	84	78
Interest receivable from group undertakings	552	536
	<u>636</u>	<u>614</u>

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **52 week period ended 31 December 2016**

9. FINANCE COSTS

	52 week period ended 31 December 2016	52 week period ended 1 January 2016
	£'000	£'000
Interest payable on bank loans and overdrafts	57	156
Interest payable to group undertakings	113	108
Other finance costs (Note 23)	136	202
	<u>306</u>	<u>466</u>

10. OTHER OPERATING INCOME

	52 week period ended 31 December 2016 £'000	52 week period ended 1 January 2016 £'000
Research and development credits	434	1,272
Other	3	-
	<u>437</u>	<u>1,272</u>

Other operating income consists mainly of research and development credit grants accrued from HMRC.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 week period ended 31 December 2016	52 week period ended 1 January 2016
	£'000	£'000
The tax charge on continuing operations comprises:		
Corporation tax		
United Kingdom corporation tax at 20.00% (period ended 1 January 2016: 20.25%) based on the profit for the period	976	1,494
Overseas taxation	402	665
Movement in overseas tax provision	(500)	(500)
Interest on overseas tax provision	(170)	(138)
Adjustments in respect of prior periods	(50)	362
Total corporation tax charge	658	1,883
Deferred tax		
Timing differences, origination and reversal	583	(220)
Changes in deferred tax on pension liability	474	425
Effect of change in tax rate – non pension	43	87
Effect of change in tax rate – pension	(168)	(160)
Prior period adjustment	(90)	(3)
Movement in overseas tax provision	500	500
Total deferred tax charge	1,341	629
Tax charge on profit on ordinary activities	1,999	2,512

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

11. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE PERIOD

Corporation tax is calculated at 20.00% (period ended 1 January 2016: 20.25%) of the estimated taxable profit for the period. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions. The charge for the period can be reconciled to the income statement as follows:

	52 week period ended 31 December 2016	52 week period ended 1 January 2016
	£'000	£'000
Profit on ordinary activities before tax	9,748	14,585
Tax at 20.00% (period ended 1 January 2016: 20.25%) thereon	1,950	2,953
Effects of:		
Expenses not deductible for tax purposes	41	161
Non taxable income	(149)	(771)
Differences in overseas tax rates and basis	636	(76)
Adjustments in respect of prior years	(140)	359
Changes in tax rates	(125)	(145)
Overseas tax incurred at higher rates	(44)	169
Interest on overseas tax provision	(170)	(138)
Total tax charge for period	1,999	2,512
	52 week period ended 31 December 2016	52 week period ended 1 January 2016
	£'000	£'000
Amounts recognised in other comprehensive income:		
Deferred tax		
Items that will not be reclassified subsequently to profit or loss:		
Movement in retirement benefit obligation	2,900	31
Change in tax rate - pension	(583)	(302)
Tax (charge) / credit on profit on ordinary activities	2,317	(271)

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

11. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The Government has announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax will be reduced.

12. GOODWILL

Group	Goodwill
	£'000
Cost	
At 1 January 2016	325
At 31 December 2016	325
Accumulated impairment losses	
At 1 January 2016	(85)
At 31 January 2016	(85)
Carrying amount	
At 31 December 2016	240
At 1 January 2016	240

Goodwill arose on acquisition of business in 2007. The above cost and carrying amount represent the value at the date of transition to IFRS on 4 January 2014. No impairment losses have been required to be booked since that date.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

13. OTHER INTANGIBLE ASSETS

Group	Other Intangibles £'000
Cost	
At 1 January 2016	157
Additions	-
Exchange differences	25
At 31 December 2016	182
Amortisation	
At 1 January 2016	16
Charge for the period	52
Exchange differences	5
At 31 December 2016	73
Carrying amount	
At 31 December 2016	109
At 1 January 2016	141

Other intangibles consist of capitalised costs incurred on the development of a new soil risk map.

The amortisation charge is included in the administration expenses line in the consolidated profit and loss account.

The remaining amortisation period for these development costs incurred is 2 years.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2016	153	15,425	27	15,605
Exchange differences	26	1,190	5	1,221
Additions	-	1,419	-	1,419
Disposals	-	(1,868)	-	(1,868)
At 31 December 2016	179	16,166	32	16,377
Depreciation				
At 1 January 2016	101	12,278	12	12,391
Exchange differences	18	1,019	-	1,037
Charge for the period	5	1,591	5	1,601
Disposals	-	(1,851)	-	(1,851)
At 31 December 2016	124	13,037	17	13,178
Carrying amount				
At 31 December 2016	55	3,129	15	3,199
At 1 January 2016	52	3,147	15	3,214

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance leases and capitalised in plant and machinery include:

	31 December 2016 £'000	1 January 2016 £'000
Net book value	-	2

Company	Plant and equipment £'000
Cost	
At 1 January 2016	227
Exchange differences	17
Additions	2
Disposals	(161)
At 31 December 2016	85
Depreciation	
At 1 January 2016	220
Exchange differences	15
Charge in period	5
Disposals	(161)
At 31 December 2016	(79)
Carrying amount	
At 31 December 2016	6
At 1 January 2016	7

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

15. INVESTMENTS

	31 December 2016	1 January 2016
	£'000	£'000
Group		
Investments at 2 January / 3 January	12	13
Foreign Exchange loss	(2)	(1)
Investments at 31 December / 1 January	<u>10</u>	<u>12</u>

Investments are held at amortised cost.

Associates	Share holding % in ordinary shares	Country of Incorporation	Principal Activity
4 Delivery Limited	20	UK	Consultant Engineers
Joint operations	Share holding % in ordinary shares	Country of Incorporation	Principal Activity
MWH Gulf Consult	50	Kuwait	Consultant Engineers
Watermark (Yorkshire) Limited	50	UK	Consultant Engineers
Optimise (Water) LLP	10	UK	Consultant Engineers
MWH & I	49	Cyprus	Consultant Engineers
MWH Khonji	49	Bahrain	Consultant Engineers

The Company accounts for its own assets, liabilities, turnover and expenses in the joint operations, as well as its share of any joint assets, liabilities, turnover and expenses measured in accordance with the terms of each arrangement.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

15. INVESTMENTS (CONTINUED)

Joint ventures	Share holding % in ordinary shares	Country of Incorporation	Principal Activity
ESH – MWH Limited	50	UK	Consultant Engineers
M2 (Water) LLP	50	UK	Consultant Engineers

These joint operations, joint ventures and associates are either directly owned by MWH Europe Limited or by its subsidiaries.

The accounting periods for 4Delivery Limited and Optimise (Water) LLP end on 31 March and for Watermark (Yorkshire) Limited ends on 30 April. These financial statements incorporate the appropriate MWH share of unaudited results of these companies for the period ending 31 December 2016.

Company	31 December 2016 £'000	1 January 2016 (Restated) £'000
Investments at 2 January / 3 January	13,631	13,631
Capital injection into MWH SA	819	-
Capital injection into MWH India	-	100
Impairment of MWH India	-	(100)
Impairment of MWH SA	-	-
Investments at 31 December / 1 January	<u>14,450</u>	<u>13,631</u>

No impairments have been booked in the current period. In the prior period an impairment was booked for MWH India, which was due to the value of the future estimated cash flows being generated by the Company not being sufficient to substantiate the investment value held.

The balance as at 1 January 2016 has been restated for the correction of a prior period error - refer to Note 29 for more information.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

15. INVESTMENTS (CONTINUED)

Subsidiary Undertakings

Company	Country of incorporation	Status	% of Equity Owned (all ordinary shares)
MWH UK Limited	UK	Trading	100%
Stantec SPA	Italy	Trading	100%
MWH SA	Belgium	Trading	100%
Thomas Hawksley Consulting Limited	UK	Trading	100%
MWH India Pvt Limited	India	Trading	99.99%
Stantec BV	Netherlands	Trading	100%
MWH ResourceNet (India) Pvt Limited	India	Trading	99.89%

The main activities of all the subsidiaries include acting as consultants in civil engineering concerned with the design and construction of public health facilities, chiefly in the areas of water supply, pollution control, waste disposal and management and protection of the environment. A large portion of work for each company is traded in their country of registration.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

16. TRADE AND OTHER RECEIVABLES

	Group	
	31 December 2016	1 January 2016
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	27,599	24,044
Allowance for doubtful debts	(692)	(705)
Amounts recoverable on contracts	23,644	22,805
Amounts owed by group undertakings	14,092	22,920
Amounts owed by joint operations	428	486
Corporation tax	1,822	1,013
Other debtors	1,741	3,383
Prepayments and accrued income	1,633	2,833
	<u>70,267</u>	<u>76,779</u>
Amounts falling due after more than one year:		
Retention receivable	1,515	-
	<u>1,515</u>	<u>-</u>
Total trade and other receivables	<u>71,684</u>	<u>76,779</u>

	Company	
	31 December 2016	1 January 2016
	£'000	£'000
Trade debtors	1,586	1,208
Amounts owed by group undertakings	203	15,008
Other debtors	-	2,111
Prepayments and accrued income	5	12
	<u>1,794</u>	<u>18,339</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Allowance for doubtful debts movement

	Group £'000
At 1 January 2016	705
Impairment losses recognised	98
Amounts recovered	(171)
Amounts written off	(39)
Effect of foreign exchange	100
At 31 December 2016	<u>693</u>

There are no allowances for doubtful debts at Company level.

Ageing of past due but not impaired trade receivables

	Group	
	31 December 2016 £'000	1 January 2016 £'000
Neither past due nor impaired	14,098	9,767
Past due but not impaired:		
31 – 60 days	6,473	3,484
61 – 90 days	1,591	2,104
91 – 120 days	1,582	319
> 120 days	3,163	7,665
	<u>26,907</u>	<u>23,339</u>

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 31 December 2016

17. TRADE AND OTHER PAYABLES

	Group	
	31 December 2016	1 January 2016
	£'000	£'000
Trade creditors	12,820	9,973
Bank loans and overdrafts	1	-
Amounts owed to group undertakings	12,711	13,734
Amounts owed to joint operations	20	112
Other taxes and social security	3,492	4,196
Other creditors	4,273	3,325
Accruals	13,484	14,380
	<u>46,801</u>	<u>45,720</u>

	Company	
	31 December 2016	1 January 2016
	£'000	£'000
Trade creditors	19	18
Amounts owed to group undertakings	21,962	23,173
Other taxes and social security	27	27
Other creditors	59	25
Accruals	664	442
	<u>22,731</u>	<u>23,685</u>

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

18. OTHER NON - CURRENT PAYABLES

	Group and Company	
	31 December 2016 £'000	1 January 2016 £'000
Annuity payable	336	360

The Company and Group have a liability for annuity payments that are due to retired partners (or their spouses) of the old Watson Hawksley Partnership.

19. PROVISIONS

	31 December 2016 £'000	1 January 2016 £'000
Current	-	-
Non-Current	-	-
Arising during the year	1,500	-
	<u>1,500</u>	<u>-</u>

Analysed as:
Current
Non-Current

-
1,500

A provision has been created in the period towards historical projects whose limitation periods are not yet closed out. Contractual obligations towards the end client allow for a defect limitation period agreed at the date of entering the contract. The defect limitation period may extend up to a period of 12 years following the conclusion of the contractual works. Within this period the end client holds the legal right to bring rectification and / or damages claims against the Company.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

20. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	31 December 2016 £'000	1 January 2016 £'000
Amounts payable under finance leases:		
Within one year	-	1
Between one and five years	-	-
	-	1
Present value of minimum lease payments	-	1

There are no obligations under finance leases at Company level.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

21. DEFERRED TAXATION

As at 31 December 2016 and 1 January 2016 no amounts have been provided in respect of deferred taxation liabilities.

No deferred tax assets have been recognised for accumulated tax losses within the MWH SA subsidiary.

The recoverability of these losses depends on there being sufficient taxable profits within these entities. This is not currently considered sufficiently certain for the recoverability of these losses to be regarded as more likely than not and hence no deferred tax asset has been recognised.

The unprovided deferred tax asset is:

MWH SA £1,656,000 (period ended 1 January 2016: £1,447,000)

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

	Group				
	Capital allowances in excess of depreciation £'000	Short term timing differences £'000	Overseas tax provision £'000	Retirement benefit obligations £'000	Total £'000
At 1 January 2016	434	934	500	886	2,754
(Charged)/credited to the profit and loss account	50	(542)	(500)	(474)	(1,466)
Credited to the statement of comprehensive income	-	-	-	2,900	2,900
Foreign exchange differences	-	73	-	-	73
Effect of change in tax rate:					
- Profit and loss account	(25)	(18)	-	168	125
- Other comprehensive income	-	-	-	(583)	(583)
At 31 December 2016	459	447	-	2,897	3,803

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

21. DEFERRED TAXATION (CONTINUED)

	Company			
	Capital allowances in excess of depreciation £'000	Short term timing differences £'000	Overseas tax provision £'000	Total £'000
At 1 January 2016	8	118	500	626
Charged to the profit and loss account	(1)	2	(500)	(499)
Effect of change in tax rate:				
- Profit and loss account	-	(7)	-	(7)
At 31 December 2016	<u>7</u>	<u>113</u>	<u>-</u>	<u>120</u>

22. SHARE CAPITAL

Group and Company	31 December 2016 £'000	1 January 2016 £'000
Authorised		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

23. DISCONTINUED OPERATIONS

The MWH Pardevo SA subsidiary was dissolved on 2 September 2015. The results of this discontinued operation, which are included in the consolidated profit and loss account, were as follows:

	52 week period ended 31 December 2016 £'000	52 week period ended 1 January 2016 £'000
Administrative expenses	-	(4)
Interest receivable	-	15
Profit for the financial period	<u>-</u>	<u>11</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 31 December 2016

24. PENSION SCHEME

The Group operates pension schemes as set out below:

(a) Defined Contribution Pension Plan

The assets of the UK defined contribution plan are held separately from those of the Company in an independent fund by AEGON UK Limited. During the period, the Company contributed £5,018,176 (including £2,771,000 contributions made on behalf of employees) to the UK defined contribution plan (period ended 1 January 2016: £4,512,360). There were no unpaid contributions to the Defined Contribution scheme at 31 December 2016 (1 January 2016: £nil). Various overseas companies also pay contributions on behalf of employees. For the period ended 31 December 2016 these amounted to £917,554 (period ended 1 January 2016: £727,048).

(b) Defined Benefit Pension Plan

The assets of the defined benefit plan are held separately from those of the Company in an independent fund administered by Clerical Medical Investment Group Limited. This plan was closed to new members on 31st March 2005 and from that date existing members no longer accrued further benefits for pensionable service. The defined benefit plan has been replaced by the new defined contribution plan for service from 1 April 2005 onwards.

As with all defined benefit schemes, risks exist based upon the variable conditions of the scheme, including (but not limited to): changes to long term UK interest rates and inflation expectations, movements in global investment markets and regulatory risk from UK pension legislation. The Company uses internal knowledge, alongside independent stakeholders and subject matter experts to ensure the assets and liabilities of the pension scheme are fully understood and controlled.

The plan is subject to triennial actuarial valuations. Results from the last triennial valuation, which was carried out by a qualified actuary as at 31 March 2014, indicated that there was a deficit (i.e. the plan's assets existing on the effective date did not fully cover its liabilities as at that date). The market value of the assets of the plan (including members' Additional Voluntary Contributions) at the date of the actuarial valuation was £65,847,000. However the actuarial total liabilities at the valuation date (including members' Additional Voluntary Contributions) were £71,943,000. Consequently the assets covered only 92% of the liabilities. In accordance with actuarial advice that the trustee received, the Company intends to fund this deficit by making contributions each year.

A group contribution of approximately £2,700,000 per annum is currently being paid, covering all divisions of the plan. The approximate employer contributions of £2,700,000 reflect a Recovery Plan of approximately 2 years agreed with the Plan Trustees requiring a contribution of 8.6% of total pensionable salaries per annum.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

24. PENSION SCHEME (CONTINUED)

The result of the triennial valuation is based on:

Method of funding:

The defined benefits plan does not provide any future service benefits, so the contribution rate to fund the deficit is based on amortising the difference between the value placed on the plan assets and the present value of all accrued past service benefits earned up to the valuation date, with allowance for future indexation on the accrued benefits and taking into account the cost of securing the benefits at retirement with an annuity under the terms of the contract held with Clerical Medical Investment Group Limited.

Assumptions used:

The overall expected return assumption is calculated as the weighted average of the individual expected return assumptions for each of the major asset classes. The individual return assumptions are based on investment market conditions in the UK, specifically with regard to yields on UK Government gilts, high quality AA rated corporate bonds and interest rates set by the Bank of England. Equity returns in well-established global markets are generally expected to outperform the return on gilts by 3% p.a or more in the long term and such anticipated outperformance has been taken into account in delivering the expected return from equity type investments.

The weightings used for the overall expected return are in line with the proportions invested in each of the major asset classes and a deduction to allow for investment expenses has been made.

The last valuation was updated at each balance sheet date by the actuary using the following assumptions:

	2016	2015
Discount rate at the end of the period	2.60%	3.70%
Rate of increase in salaries	n/a	n/a
Rate of future inflation – RPI (% pa)	3.25%	2.70%
Rate of increase in future pensions in payment, split:		
Inflation linked up to 5% pa	3.50%	3.50%
Inflation linked up to 2.5% pa	n/a	n/a
Allowance for early retirements	No	No
Allowance for members to commute pension for tax free cash	Yes	Yes

Guaranteed annuity rates (GARs) apply at retirement, in accordance with the underlying PA92 C2020 mortality table being used to replicate the GARs.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

24. PENSION SCHEME (CONTINUED)

The fair value of the assets of the defined benefit scheme, the present value of the liabilities in the scheme and the expected rate of return for each category of assets at each balance sheet date were:

	2016 Value of assets £'000	2015 Value of assets (Restated) £'000
Group pension contract	115,395	113,113
Total fair value of assets	115,395	113,113
Present value of liabilities	(132,452)	(118,039)
Deficit in the plan	(17,057)	(4,926)

The scheme has purchased a number of annuities in respect of past retirements. These are understood to fully match the associated liabilities and so have been excluded from both the assets and liabilities at each accounting date.

Analysis of the defined benefit cost charged to operating profit:

	31 December 2016 £'000	1 January 2016 £'000
Current service cost	(294)	(200)
Total operating charge	(294)	(200)

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

24. PENSION SCHEME (CONTINUED)

Analysis of the amount charged to other finance costs:

	31 December 2016 £'000	1 January 2016 (Restated) £'000
Expected return on scheme assets	4,149	3,824
Interest cost	(4,285)	(4,026)
Other finance costs	(136)	(202)

As the scheme is closed, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

Analysis of amount recognised in statement of comprehensive income:

	31 December 2016 £'000	1 January 2016 (Restated) £'000
Actual gains/(losses) on the assets	98	(2,684)
Actuarial losses arising from experience adjustments	(31)	(130)
Actuarial (losses)/gains arising from changes in financial assumptions	(14,568)	2,638
Actuarial loss recognised in the statement of comprehensive income	(14,501)	(176)

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

24. PENSION SCHEME (CONTINUED)

The actual return on the plan assets during the period was £4,247,000 (period ended 1 January 2016 (Restated): £1,140,000).

The major categories of plan assets, measured at fair value at the balance sheet date were:

	Value 2016 £'000	Value 2015 (Restated) £'000
Equities/Property/Hedge funds	35,780	36,569
Gilts and bonds	11,564	10,969
Cash	13,198	15,177
Value of insured annuitants	54,853	50,398
	<u>115,395</u>	<u>113,113</u>

History of experience gains and losses:

	2016 £'000	2015 (Restated) £'000
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	98	(2,684)
Percentage of scheme assets	0.1%	(2.4%)
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(31)	(130)
Percentage of the present value of scheme liabilities	(0.0%)	(0.1%)
Total actuarial gain/(loss) in the statement of total recognised gains and losses:		
Amount (£'000)	(14,501)	(176)
Percentage of the present value of scheme liabilities	(10.9%)	(0.1%)

The Company expects to pay contributions of £2,700,000 to the plan during the next accounting period.

Actuarial gains and losses are recognised in the statement of comprehensive income. The cumulative actuarial loss to date is £29,272,000 (2015: £14,771,000).

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

24. PENSION SCHEME (CONTINUED)

Movements in the fair value of scheme assets were as follows:

	31 December 2016 £'000	1 January 2016 (Restated) £'000
Opening fair value of plan assets	113,113	113,134
Expected return on plan assets	4,149	3,824
Actuarial gains/(losses) on assets	98	(2,684)
Contributions paid by the employer	2,800	2,762
Administration expenses and levies met from the Scheme	(294)	(200)
Benefits paid	(4,471)	(3,723)
Closing fair value of plan assets	<u>115,395</u>	<u>113,113</u>

Movements in the present value of defined benefit obligations were as follows:

	31 December 2016 £'000	1 January 2016 (Restated) £'000
Opening defined benefit obligation	118,039	120,244
Interest cost	4,285	4,026
Actuarial losses/(gains) on obligation	14,599	(2,508)
Benefits paid	(4,471)	(3,723)
Closing defined benefit obligation	<u>132,452</u>	<u>118,039</u>

Pension disclosure figures for the prior period ending 1 January 2016 have been restated to reflect the removal of the AVCs from both the assets and the liabilities, as well as the inclusion of the insured annuitants in both the assets and the liabilities. These changes have had no impact on the net carrying value of the defined benefit obligation or the P&L or OCI charges recognised in the period ending 1 January 2016, but do affect the disclosure component items shown above.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

25. OPERATING LEASE COMMITMENTS

The Group as lessee:

	52 week period ended 31 December 2016 £'000	52 week period ended 1 January 2016 £'000
Lease payments under operating leases recognised as an expense in the period:		
Plant and equipment	1,374	1,308
Land and buildings	2,912	2,955
	<u>4,286</u>	<u>4,263</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 31 December 2016 £000	Plant and equipment 31 December 2016 £000	Land and buildings 1 January 2016 £000	Plant and equipment 1 January 2016 £000
Within one year	1,765	757	2,469	901
Within two to five years	4,835	1,215	3,379	998
After five years	1,396	4	4	-
	<u>7,996</u>	<u>1,976</u>	<u>5,852</u>	<u>1,899</u>

The Company has no operating lease commitments.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 31 December 2016

26. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 31 December 2016, the Group had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £1,444,765 (1 January 2016: £1,754,555). The Company and the Group had no capital expenditure commitments as at 31 December 2016 (1 January 2016: £nil).

27. NOTES TO THE CASH FLOW STATEMENT

	52 week period ended 31 December 2016 £'000	52 week period ended 1 January 2016 £'000
Profit before tax	9,748	14,597
Adjusted for:		
Investment revenue	(636)	(629)
Finance costs	306	466
Depreciation of property, plant and equipment	1,601	1,480
Amortisation of intangible assets	52	15
Loss on sale of property, plant and equipment	10	30
Net unrealised foreign exchange differences	1,491	102
Pension service costs	294	200
Movement in pension obligation	(2,800)	(2,762)
Movement in deferred revenue	5,745	(870)
Movement in annuity valuation	(3)	(54)
Operating cash flows before movements in working capital	15,813	12,575
Decrease / (Increase) in trade and other receivables	5,901	(10,367)
Increase in trade and other payables	2,476	2,820
Cash generated by operations	24,190	5,028
Income taxes paid	(2,034)	(1,520)
Interest paid	(170)	(264)
Net cash from operating activities	21,986	3,244

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

28. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its' subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its' associates are disclosed below.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the group, is disclosed in Note 7: Staff costs and analysis.

Trading transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Transactions to		Transactions from	
	52 week period ended 31 December 2016 £000	52 week period ended 1 January 2016 £000	52 week period ended 31 December 2016 £000	52 week period ended 1 January 2016 £000
MWH Americas Inc	2,280	1,746	1,188	2,021
MWH Treatment Ltd	2,461	1,341	16	12
Konsultan MWHC	32	185	-	-
MWH Constructors Inc	172	-	-	-
MWH Australia Pty Ltd	517	301	22	65
Harza Engineering Co, Intl, SA	688	-	-	-
MWH New Zealand Ltd	431	302	115	59
MWH Farrer Ltd	506	209	625	773
MWH Turkey	34	-	47	209
MWH Global, Inc	-	-	2,838	2,642
MWH Constructors Ltd	383	401	-	-
MWH Canada Inc	23	-	25	-
MWH Holding B.V	-	-	117	105
Hawksley Consulting	11	-	-	-
Stantec Consulting Services Inc	8	-	-	-
Stantec Consulting International, LLC	-	-	52	-
4 Delivery Ltd	1,073	2,146	-	-
ESH-MWH Ltd	2,084	-	-	-
M2 (Water) LLP	3,301	-	-	-
	<u>14,004</u>	<u>6,631</u>	<u>5,045</u>	<u>5,886</u>

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties consist mainly of labour sold and/or borrowed between Companies within the MWH Group; management fees payable to MWH Global Inc and interest income and expense on intercompany loan balances.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Labour transactions sold to and purchased from related parties have been made at their standard cost plus 5% whilst intercompany interest income and expense has been charged at rates comparable to the average rates of interest.

The following amounts were outstanding at the balance sheet date:

Amounts owed by related parties

	31 December 2016 £000	1 January 2016 £000
MWH Americas Inc	371	286
MWH Treatment Ltd	1,160	1,006
MWH Farrer Ltd	82	50
MWH Turkey	56	117
MWH Global Inc	25	15
MWH New Zealand Ltd	140	22
MWH Australia Pty Ltd	102	66
MWH Constructors Ltd	440	426
MWH Constructors Inc	63	-
Hawksley Consulting	24	-
Konsultan MWHC	-	94
4 Delivery Ltd	1,181	662
ESH-MWH Ltd	219	-
M2 (Water) LLP	1,898	-
	<u>5,761</u>	<u>2,744</u>

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts owed to related parties

	31 December 2016 £000	1 January 2016 £000
MWH Americas Inc	1,113	1,017
MWH Treatment Ltd	1,249	1,245
MWH Farrer Ltd	183	139
MWH Global Inc	1,423	1,869
MWH New Zealand Ltd	640	499
MWH Australia Pty Ltd	98	214
MWH Constructors Ltd	1,066	1,066
MWH Holding B.V	71	43
Montgomery Engineers Ltd	-	2,109
MWH Consultants (Singapore) Pte Ltd	265	226
Hawksley Consulting Inc	2	78
Stantec Consulting International, LLC	40	-
4 Delivery Ltd	916	1,002
	<u>7,066</u>	<u>9,507</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Loans to/from related parties

Loans to related parties

	31 December 2016 £000	1 January 2016 £000
MWH Treatment Ltd	10,500	7,000
MWH Constructors Ltd	-	13,400
MWH Turkey	599	-
Stantec Ltd	250	-
	<u>11,349</u>	<u>20,400</u>

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

28. RELATED PARTY TRANSACTIONS (CONTINUED)

	Loans from related parties	
	31 December 2016 £000	1 January 2016 £000
MWH Holding B.V	5,532	4,981
Innovyze Ltd	819	-
MWH Global	49	-
	<u>6,400</u>	<u>4,981</u>

Loans to and from associates have been provided at rates comparable to the average rate of interest.

All of the above mentioned entities, apart from 4 Delivery Ltd, ESH-MWH Ltd and M2 (Water) LLP, are considered to be related parties because they share the same ultimate parent Company, being Stantec, Inc. 4 Delivery Ltd is considered to be a related party due to it being an associate of the Company and ESH-MWH Ltd and M2 (Water) LLP are considered to be related parties due to them being joint ventures of the Company.

29. CONTROLLING PARTY

The Company's ultimate parent, controlling undertaking and the largest group company in which its results are consolidated for the 2016 period is Stantec Inc., a publicly traded corporation whose shares are listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol STN.

The immediate parent undertaking is MWH Holding BV, a company incorporated in the Netherlands.

The financial statements of MWH Holding BV are available to the public from Forum Administrators BV, Weena 336, 3012 NJ, Rotterdam, The Netherlands.

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 52 week period ended 31 December 2016

30. CORRECTION OF A PRIOR PERIOD ERROR (COMPANY ONLY)

In the 2015 financial period, MWH Europe disposed of its' investment in subsidiary, MWH Pardevo. This was shown as a reduction to investments at a Company level. In 2016 (after the 2015 annual Statutory Accounts were approved for issue), we discovered that this investment had historically been impaired of its' full value and therefore there was no reduction to be made and the total investments value was subsequently understated at a Company level. The error has now been corrected by restating each of the affected financial statement line items in the prior period, as follows:

Company

1 January 2016

£'000

Investments:

As previously stated

13,040

Correction of prior period error

591

13,631

Retained Earnings:

As previously stated

(1,932)

Correction of prior period error

591

(1,341)

There was no impact at a Group level.