

Company Registration No. 02438136

STANTEC EUROPE LIMITED

(formerly known as MWH Europe Limited)

Annual Report and Financial Statements

For the year ended 31 December 2017



STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

C Schefer
D Smith
D Barnes (resigned on 18 July 2017)
A Wilson (appointed on 18 July 2017)
V Hall-Sturt (appointed on 30 August 2018)

COMPANY SECRETARIES

V Hall-Sturt
G Maloney (resigned on 3 August 2018)

REGISTERED OFFICE

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

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
2 St Peters Square
Manchester
M2 3EY

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

STRATEGIC REPORT

The Directors present their report and audited consolidated financial statements of Stantec Europe Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2017.

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 s414(1) of the act and the exemption conferred under s408 to exclude the presentation of the parent company's profit and loss account within these financial statements has been applied.

During the year, there was an internal group reorganisation that had the effect of moving the Group out from under the US part of the group structure to a more direct ownership by the ultimate parent.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Activities

The Group is part of a top-tier global design and delivery firm of designers, engineers, scientists, and project managers focused on infrastructure and communities. The Group 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 infrastructure projects in the world all supporting its overall mission of *Creating Communities*. The Group has activities predominantly in the UK, mainland Europe, India and the Middle East.

Financial review

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

	Year ended 31 December 2017	52 week period ended 31 December 2016
	£000s	£000s
Gross revenues	204,917	181,709
Gross profit	63,255	55,868
Operating profit	8,513	9,418
Operating profit margin	4.2%	5.2%

Gross revenues for the year to 31 December 2017 increased for the Group by 12.8% from 2016 (2016: increase of 12.0%). Revenues increased for Stantec UK Limited, which is the most significant subsidiary in the Group by 5.8% (prior period increase 6.5%) and there was also strong revenue growth in Italy.

The profit for the financial period of £5,752,000 (2016: £7,748,000) has been transferred to reserves.

The financial position of the Group is set out on page 15. The cash balance has increased from £21,615,000 to £31,561,000 as a result of the cash generated from operations.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

STRATEGIC REPORT (CONTINUED)

Market conditions and trends

The Group has subsidiaries, as outlined in note 15 of the financial statements. The main four subsidiaries are Stantec UK Limited, Stantec SPA, Stantec B.V. and Stantec SA.

Stantec UK Limited is a management, engineering, environmental, and consultancy business employing more than 1,000 people. It operates across the various sectors of water, energy, solid waste and other infrastructure. In the UK, the regulated water industry operates on five yearly asset management cycles, known as 'AMP's'. It is the mid-point of the sixth AMP cycle and the outlook for the sector is good in the short to medium term. In the energy sector, there is significant increased investment required to meet current and future energy demands and increased energy security in the UK. The medium-range trend for the energy sector is very good. The solid waste market sector has a strong portfolio of work in the short and medium-term. In the infrastructure sector, public and private investment is targeted at national infrastructure and the medium-range trend for the infrastructure sector is good.

Stantec SPA (Italy) is an engineering and consultancy business employing more than 140 people. The company has a diverse portfolio of clients and services with a primary focus on Environment and Infrastructure. Thanks to the maintenance of strong business disciplines, and efforts to optimise costs, since 2016 the results have shown an improving trend with positive results achieved in 2017. In 2018, we expect significant growth in the manufacturing sectors that will contribute to the company meeting all the KPI targets set for the year. For 2019 it is anticipated that the engineering market will continue to improve, resulting in increased opportunities and growth for Stantec SPA.

Stantec B.V. (Netherlands) is an environmental consultancy business employing 145 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 2017 were above expectation. For 2018 it is anticipated that the Dutch economy will continue to improve, resulting in increased opportunities and growth for the Dutch consultancy business.

Stantec SA (Belgium) 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.

The overall outlook for the company remains very positive, with a healthy pipeline of potential business.

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

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

STRATEGIC REPORT (CONTINUED)

Joint arrangements

The joint arrangements ("JAs") in the UK are: two AMP5 JAs - 4Delivery (a JA between Veolia, Costain and Stantec) delivering work for Southern Water; and Optimise (a JA between Clancy Docwra, J Murphy & Sons Ltd, Barhale and Stantec) delivering work for Thames Water and two AMP6 joint arrangements – ESH-MWH (a JA between ESH and Stantec) and m2 (a JA between Mott MacDonald and Stantec). Whilst not a separate legal entity, Stantec UK Limited 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 Stantec UK Limited and Gulf Consult); MWH Khonji (a Bahrain JA between Stantec Europe Limited and Ismail Khonji Consultants) and MWH&I (a Cypriot JA between Stantec SA and Antonis Ioannou).

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

Regulatory environment

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

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 2018 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 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 Company is exposed to financial risks including credit risk, cash flow risk and liquidity risk.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

STRATEGIC REPORT (CONTINUED)

Foreign exchange risk

The Company'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, however forward currency exchange contracts are utilised at an ultimate parent company level to mitigate significant exposures to the overall group.

Credit risk

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

Liquidity risk

In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the Company has access to direct borrowing under the group facility held by our ultimate parent company, Stantec Inc., of up to \$800 million which can be distributed to the Company as required.

Post balance sheet events

On 23 March 2018, the Group acquired the entire issued share capital of ESI Limited ("ESI"), an environmental services company incorporated in the UK for £6m. With more than 20 years of history in the marketplace, ESI is one of the UK's leading independent scientific environmental consulting firms with capabilities in groundwater, land, and sustainable development. Supporting a diverse spectrum of clients in the private and public sector, ESI maintains a consistent portfolio of projects in the water resources, transport and infrastructure, minerals and waste, and property industries.

On 7 September 2018, the Group acquired Peter Brett Associates ("PBA") in the UK. PBA is an independent practice of engineers, planners, scientists and economists with more than 50 years of history in the marketplace. It is one of the UK's leading development and infrastructure firms with capabilities in planning, infrastructure, land development, built environment and transport, supporting a diverse spectrum of clients in the private and public sector. Established in 1965, PBA have matured to over 700 personnel based in 14 offices across the UK and 3 smaller offices in Central Europe. At the date of signing the accounts, it was not possible to reliably estimate the final purchase price.

These two acquisitions follow a significant effort in identifying businesses that strengthen our existing UK expertise, complement our culture and open further opportunities for growth.

In June 2018, the Company reached agreement on an historic claim by a single client (made within the project's defects limitation period). The final settlement amount was paid in June 2018 and financed by group companies.

During 2018, the Group started trading through locally registered branches in Turkey and Saudi Arabia.

STRATEGIC REPORT (CONTINUED)

Going concern

The Directors consider it appropriate to adopt the going concern basis in preparing the 2017 financial statements for the following reasons:

- 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.

During the year, Stantec Holding BV contributed a £1.4m share premium to the Group.

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 company continues and the appropriate training is arranged. It is the policy of the company 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 company conducts its staff engagement survey. The purpose is to benchmark the level of staff engagement. In addition, consultation with the 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 economic performance of their own business units and of the Company as a whole.

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

There is a significant focus on Diversity and Inclusion to tap into skills and life experiences that enrich us, and this includes able bodied and disabled ex-service men and women. There is also a focus on unconscious bias to address some of the unintended attitudes and behaviours that may be present. By focusing on diversity and inclusion and unconscious bias, Stantec looks forward to inspiring people to be the best that they can be.

The Stantec Well-Being campaign was introduced back in 2013 and is well embedded into the Company's culture and continues to be well received by our employees. The campaign provides support and opportunity to improve lifestyle, health, general well-being and mental well-being, where we have trained managers to recognise signs of stress, anxiety or depression and given portals to be able to address issues. Open space sessions are held to encourage people to talk about their own experiences and help to rid the stigma of stress, anxiety, depression or mental illness.

In June 2017, Stantec won both the 'Talent Champion' category and also maintained their title for the second year running in the 'Best Place to Work' category, at the NCE100 awards. Stantec was also assessed against the New Civil Engineer's five core pillars of excellence and was ranked as the No.2 Engineering Company of the Year 2017. The NCE100 Awards recognise and reward firms that embrace and inspire excellence within civil engineering. One of Stantec's employees won Emerging Professional of the Year award at the ACE's Engineering Awards.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

STRATEGIC REPORT (CONTINUED)

Environment

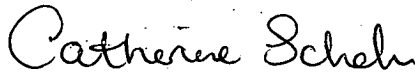
The global group fully recognises the importance of its environmental responsibilities, monitors and controls its impact on the environment and implements policies aimed at reducing any damage that might be caused by the group's activities. The Company operates fully in accordance with these group policies. The Company is committed to ensuring that our actions protect people and the environment. Our leading experts ensure that we help our clients to achieve their environmental goals, and to reduce the impacts of the projects we deliver. 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.

The Company is committed to reducing the impact of its own operations. We manage and monitor carbon emissions from our own activities and have set targets to make reductions.

Community engagement

The Company is committed to leaving a lasting legacy in the communities we work in. The Company is proud of the many ways that our staff give back to the communities we serve through volunteering and fundraising activities. The Company works with Engineering UK to provide schools enrichment activities, and to encourage children to consider engineering careers. Through our support for organisations such as the international charity WaterAid, and the Register of Engineers for Disaster relief ("RedR"), we help to provide clean water and sanitation to those in need in developing countries.

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



C Schefer
Director

27 September 2018

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

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 (resigned on 18 July 2017)
A Wilson (appointed on 18 July 2017)
V Hall-Sturt (appointed on 30 August 2018)

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

Ernst & Young LLP were re-appointed to carry out the audit of its statutory accounts for financial year ending 31 December 2017.

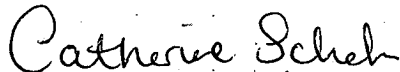
Each of the persons who is a Director at the date of approval of this report confirms that:

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

27 September 2018

STANTEC EUROPE LIMITED (formerly known as 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 STANTEC EUROPE LIMITED

Opinion

We have audited the financial statements of Stantec Europe Limited the year ended 31 December 2017 which comprise the Consolidated Statement of Profit and Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

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

- adequate accounting records have not been kept 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

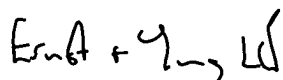
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

27 September 2018

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
Year ended 31 December 2017

	Note	Year ended 31 December 2017	52 week period ended 31 December 2016
		£'000	£'000
Revenue	5	204,917	181,709
Cost of sales		(141,662)	(125,841)
Gross profit		63,255	55,868
Administrative expenses		(55,317)	(46,887)
Other operating income	10	575	437
Operating profit		8,513	9,418
Investment revenue	8	305	636
Finance costs	9	(616)	(306)
Profit on ordinary activities before taxation		8,202	9,748
Tax on profit on ordinary activities	11	(2,450)	(1,999)
Profit for the financial period	6	5,752	7,748
Profit attributable to non-controlling interests		(119)	-
Profit attributable to the Company's shareholder		5,633	7,748

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	Note	Year ended 31 December 2017	52 week period ended 31 December 2016
		£'000	£'000
Profit for the financial period		5,752	7,748
Profit attributable to non-controlling interest		(119)	-
Items that may be reclassified subsequently to profit or loss:			
Currency translation gain		(3,024)	3,394
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on the defined benefit pension scheme	23	(6,058)	(14,501)
Deferred taxation movement attributable to the actuarial loss	11,17	1,000	2,900
Deferred taxation movement attributable to the change in tax rate	11	-	(583)
Other comprehensive loss for the financial period		(8,082)	(8,790)
Total comprehensive loss for the financial period		(2,449)	(1,042)

The notes on pages 19 to 63 form part of these financial statements.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Non-current assets			
Goodwill	12	240	240
Other intangible assets	13	57	109
Property, plant and equipment	14	3,333	3,199
Investments	15	10	10
Deferred tax asset	17	4,165	3,803
		<u>7,805</u>	<u>7,361</u>
Current assets			
Trade and other receivables	16	99,468	71,783
Cash and bank balances		31,561	21,615
		<u>131,029</u>	<u>93,398</u>
Total assets		<u>138,834</u>	<u>100,759</u>
Current liabilities			
Trade and other payables	18	(78,218)	(46,801)
Deferred revenue		(12,035)	(6,800)
Provision for liabilities	20	(2,741)	-
Current tax liabilities		(108)	(497)
		<u>(93,102)</u>	<u>(54,098)</u>
Net current assets		37,927	37,796
Non-current liabilities			
Other non-current payables	19	(251)	(336)
Provision for liabilities	20	(16)	(1,500)
Retirement benefit obligations	23	(17,791)	(17,057)
		<u>(18,058)</u>	<u>(18,893)</u>
Total liabilities		<u>(111,160)</u>	<u>(72,991)</u>
Net assets		<u>27,674</u>	<u>27,768</u>
Equity			
Share capital	22	10,000	10,000
Share premium	22	1,400	-
Retained earnings		15,319	17,768
		<u>26,719</u>	<u>27,768</u>
Equity attributable to owners of the Company		26,719	27,768
Non-controlling interests		955	-
		<u>27,674</u>	<u>27,768</u>
Equity attributable to owners of the Company		<u>27,674</u>	<u>27,768</u>

The notes on pages 19 to 63 form part of these financial statements. These financial statements of Stantec Europe Limited (registered number 02438136) were approved by the Board of Directors on 27 September 2018 and authorised for issue.

Signed on behalf of the Board of Directors

C Schefer, Director

Catherine Schuch

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

COMPANY BALANCE SHEET
As at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Non-current assets			
Property, plant and equipment	14	-	6
Investments	15	15,875	14,450
Deferred tax asset	17	84	120
		<u>15,959</u>	<u>14,576</u>
Current assets			
Trade and other receivables	16	-	1,794
Cash and bank balances		(214)	2,110
		<u>(214)</u>	<u>3,904</u>
Total assets		<u>15,745</u>	<u>18,480</u>
Current liabilities			
Trade and other payables	18	(20,996)	(22,731)
		<u>(21,210)</u>	<u>(18,827)</u>
Net current liabilities			
Non-current liabilities			
Other non-current payables	19	(158)	(336)
		<u>(158)</u>	<u>(336)</u>
Total liabilities		<u>(21,154)</u>	<u>(23,067)</u>
Net liabilities		<u>(5,409)</u>	<u>(4,587)</u>
Equity			
Share capital	22	10,000	10,000
Share premium	22	1,400	-
Retained earnings		(16,809)	(14,587)
Equity attributable to owners of the Company		<u>(5,409)</u>	<u>(4,587)</u>

The exemption as permitted by s408 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 loss of the parent company for the financial period was £527,000 (2016: profit £56,000).

The notes on pages 19 to 63 form part of these financial statements.

These financial statements of Stantec Europe Limited, (registered number 02438136) were approved by the Board of Directors on 27 September 2018 and authorised for issue.

Signed on behalf of the Board of Directors

C Schefer, Director

Catherine Schefer

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Retained earnings £'000	Non- controlling interest £'000	Total £'000
Balance at 1 January 2016	10,000	-	36,210	-	46,210
Profit for the period	-	-	7,748	-	7,748
Other comprehensive income	-	-	(8,790)	-	(8,790)
Total comprehensive income for the period	-	-	(1,042)	-	(1,042)
Distribution to fellow Group Company	-	-	(17,400)	-	(17,400)
Balance at 31 December 2016	10,000	-	17,768	-	27,768
Issue of share capital	-	1,400	-	-	1,400
Profit for the period	-	-	5,633	119	5,752
Other comprehensive income	-	-	(8,082)	-	(8,082)
Total comprehensive income for the period	-	-	(2,449)	119	(2,330)
Acquisition of non-controlling interest	-	-	-	836	836
Balance at 31 December 2017	10,000	1,400	15,319	955	27,674

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	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)
Loss for the period	-	-	(527)	(527)
Other comprehensive income for the period	-	-	(1,695)	(1,695)
Total comprehensive income for the period	-	-	(2,222)	(2,222)
Issue of share capital	-	1,400		1,400
Balance at 31 December 2017	10,000	1,400	(16,809)	(5,409)

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
Net cash from operating activities	25	11,381	21,986
Investing activities			
Interest received		305	636
Purchase of property, plant and equipment		(1,393)	(1,419)
Proceeds on disposal of property, plant and equipment		52	11
Net cash used in investing activities		(1,036)	(772)
Financing activities			
Repayments of obligations under finance leases		-	(1)
Distribution of reserves to fellow Group Company		-	(17,400)
Net cash used in financing activities		-	(17,401)
Net increase in cash and cash equivalents		10,345	3,813
Cash and cash equivalents at beginning of the period		21,627	16,190
Effect of foreign exchange rate changes		(411)	1,612
Cash and cash equivalents at end of the period		31,561	21,627

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. GENERAL INFORMATION

Stantec 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

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new IFRSs that were issued but not yet effective as at 31 December 2017:

- i) IFRS 9: Financial Instruments
- ii) IFRS 15: Revenue from Contracts with Clients
- iii) IFRS 16: Leases

Application of the above Standards will be with disclosure exemptions accorded to the FRS 101 reduced disclosure framework. The adoption of these Standards will impact the methods of measurement and accounting for financial instruments, revenue recognition and leases.

First time adoption of new standard IFRS 15 "Revenue from Contracts with Customers" is applicable from 1 January 2018 and will be adopted by the Company in the next reporting period using the cumulative effect method in accordance with IFRS 15.C(b) whereby the cumulative effect of initially applying IFRS 15 will be reported as an adjustment to the opening balance of equity at 1 January 2018. Impact of IFRS 15 on the Company will be seen in the additional disclosure data required to be provided in future financial periods however material financial impact is unlikely.

As at the date of preparation of these financial accounts it was not practicable to provide reliable impact estimations on future periods around the adoption of Standards IFRS 9 and 16.

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, Stantec 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

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting (continued)

- 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
 - 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 31 December 2016.

Going concern

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 and taken into account the group support letter which confirms that Stantec Technology International Inc. will provide financial support, if necessary, to the Company for a minimum period of 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 2017. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

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.

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.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

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.

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment and intangible assets

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 scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

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.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

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 Group 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)

Year ended 31 December 2017

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

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.

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, 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 judgments in applying the Company's accounting policies

The following are the critical judgments, 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 judgments 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.

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGMENTS 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 Stantec SA in the 2016 financial period and for Stantec India, Stantec SA and Stantec BV in the 2015 financial period. No impairments have been booked in the 2017 (2016: none). 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 2017, all property, plant and equipment is considered to be recoverable and no impairment losses have been booked (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 2017, an allowance for doubtful debt balance of £899,000 has been recorded (2016: £693,000).

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.

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

5. REVENUE

All revenue for the year ended 31 December 2017 and the 52 week period ended 31 December 2016 is attributable to the principal activity of the Group being management consultancy, programme management, engineering and consultancy to the infrastructure industry. Revenue is split geographically as follows:

	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
Sale of services		
United Kingdom	91,870	82,386
Rest of Europe	82,480	67,350
Rest of the world	30,567	31,973
	<u>204,917</u>	<u>181,709</u>

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

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

6. PROFIT FOR THE FINANCIAL PERIOD

	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
Profit for the period is stated after charging/(crediting):		
Amortisation of intangibles	56	52
Depreciation		
Owned assets	1,153	1,599
Leased assets	-	2
Redundancy costs	243	101
Loss on disposal of property, plant and equipment	40	10
Impairment loss on trade and other receivables	196	126
Reversal of impairment losses recognised on trade receivables	(23)	(104)
Foreign exchange loss	473	270
Claim provision expense	1,257	1,500
Proceeds to be received from group company to finance claim settlement	(1,241)	-

The analysis of auditor's remuneration is as follows:

	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	55	85
Fees payable to the Company's auditor and associates for the audit of the Company's subsidiaries	258	206
Total audit fees	313	291
Taxation compliance services	13	29
Pension assistance	30	-
Total non-audit fees	43	29
Total fees	356	320

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

7. STAFF COSTS AND ANALYSIS

	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
Directors' remuneration		
Short-term employee benefits	1,326	3,235
Post-employment employee benefits	63	55
	<u>1,389</u>	<u>3,290</u>
 Emoluments of the highest paid Director	 <u>519</u>	 <u>2,482</u>

Of the two Directors being members of the defined benefit pension scheme, the highest paid Director's contributions in the period amounted to £41,201 (2016: £33,576). The highest paid Director is not a member of the defined benefit pension scheme, therefore had no accrued pension entitlements (2016: £nil).

	Year ended 31 December 2017 No.	52 week period ended 31 December 2016 No.
Number of Directors who are members of the defined benefit pension scheme	<u>2</u>	<u>2</u>

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

7. STAFF COSTS AND ANALYSIS (CONTINUED)

	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
All employees (including Directors)		
Wages and salaries	65,605	60,371
Social security costs	6,353	6,120
Other pension costs	3,598	3,459
	<u>75,556</u>	<u>69,950</u>

	Year ended 31 December 2017 No.	52 week period ended 31 December 2016 No.
Average monthly number of persons employed (including Directors)		
Engineering	1,434	1,523
Marketing	45	16
Administration	222	159
	<u>1,701</u>	<u>1,698</u>

8. INVESTMENT REVENUE

	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
Interest revenue		
Bank interest	78	84
Interest receivable from group undertakings	227	552
	<u>305</u>	<u>636</u>

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

9. FINANCE COSTS

	Year ended 31 December 2017	52 week period ended 31 December 2016
	£'000	£'000
Interest payable on bank loans and overdrafts	35	57
Interest payable to group undertakings	211	113
Other finance costs (note 23)	370	136
	<u>616</u>	<u>306</u>

10. OTHER OPERATING INCOME

	Year ended 31 December 2017	52 week period ended 31 December 2016
	£'000	£'000
Research and development expenditure credit	367	434
Other	208	3
	<u>575</u>	<u>437</u>

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

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2017	52 week period ended 31 December 2016
	£'000	£'000
The tax charge comprises:		
Corporation tax		
Current period UK corporation tax	174	976
Current period overseas tax	1,250	402
Movement in overseas tax provision	-	(500)
Interest on overseas tax provision	-	(170)
Adjustments in respect of prior periods	388	(50)
Total corporation tax charge	1,812	658
Deferred tax		
Origination and reversal of timing differences	(118)	583
Movement in respect of pension deficit	905	474
Effect of change in tax rate – non pension	-	43
Effect of change in tax rate – pension	-	(168)
Adjustments in respect of prior periods	(149)	(90)
Movement in overseas tax provision	-	500
Total deferred tax charge	638	1,341
Tax charge on profit on ordinary activities	2,450	1,999

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

11. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE PERIOD

UK corporation tax is calculated at 19.25% (2016: 20.00%) 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:

	Year ended 31 December 2017	52 week period ended 31 December 2016
	£'000	£'000
Profit on ordinary activities before tax	8,202	9,748
Tax at 19.25% (2016: 20.00%) thereon	1,579	1,950
Effects of:		
Non-deductible expenses	80	41
Non-taxable income	(70)	(149)
Differences in overseas tax rates	41	636
Adjustments in respect of prior periods	240	(140)
Changes in tax rates	(108)	(125)
Overseas tax incurred at higher rates	-	(44)
Interest on overseas tax provision	-	(170)
Timing differences on which deferred tax is not recognised	688	-
Total tax charge for the period	2,450	1,999

	Year ended 31 December 2017	52 week period ended 31 December 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	1,000	2,900
Change in tax rate - pension	-	(583)
Tax credit on profit on ordinary activities	1,000	2,317

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

11. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Legislation to reduce the rate of UK corporation tax to 17% from 1 April 2020 had been enacted at the balance sheet date and the impact of this reduction in the tax rate is reflected in the net deferred tax assets as at 31 December 2017.

12. GOODWILL

Group	Goodwill
	£'000
Cost	
At 31 December 2016	325
At 31 December 2017	325
Accumulated impairment losses	
At 31 December 2016	(85)
At 31 December 2017	(85)
Carrying amount	
At 31 December 2016	240
At 31 December 2017	240

Goodwill arose on the acquisition of a 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.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

13. OTHER INTANGIBLE ASSETS

Group	Other intangibles £'000
Cost	
At 31 December 2016	182
Additions	-
Exchange differences	6
At 31 December 2017	188
Amortisation	
At 31 December 2016	73
Charge for the period	56
Exchange differences	2
At 31 December 2017	131
Carrying amount	
At 31 December 2017	57
At 31 December 2016	109

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 and the remaining amortisation period for these development costs incurred is 1 year.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 31 December 2016	179	16,166	32	16,377
Exchange differences	(6)	(147)	1	(152)
Additions	-	1,388	5	1,393
Disposals	-	(10,053)	(9)	(10,062)
At 31 December 2017	173	7,354	29	7,556
Depreciation				
At 31 December 2016	124	13,037	17	13,178
Exchange differences	(9)	(130)	1	(138)
Charge for the period	6	1,144	3	1,153
Disposals	-	(9,963)	(7)	(9,970)
At 31 December 2017	121	4,088	14	4,223
Carrying amount				
At 31 December 2017	52	3,266	15	3,333
At 31 December 2016	55	3,129	15	3,199

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Plant and equipment £'000
Cost	
At 31 December 2016	85
Exchange differences	-
Additions	-
Disposals	(85)
At 31 December 2017	-
Depreciation	
At 31 December 2016	(79)
Exchange differences	-
Charge in period	-
Disposals	79
At 31 December 2017	-
Carrying amount	
At 31 December 2017	-
At 31 December 2016	6

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

15. INVESTMENTS

	31 December 2017	31 December 2016
	£'000	£'000
Group		
Investments at 1 January	10	12
Investment recognised in year	-	-
Foreign exchange loss	-	(2)
Investments at 31 December	<u>10</u>	<u>10</u>

Investments are held at amortised cost.

Associates	Share holding % in ordinary shares	Country of incorporation	Principal activity
4Delivery 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

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.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

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 Stantec 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 Stantec share of unaudited results of these companies for the period ending 31 December 2017.

Company	31 December 2017	31 December 2016
	£'000	£'000
Investments at 1 January	14,450	13,631
Capital injection into Stantec SA	-	819
Capital injection into Stantec UK Limited	1,400	-
Capital injection into Stantec ResourceNet (India) Pvt Limited	14	-
Recognition of MWH Khonji	11	-
Investments at 31 December	15,875	14,450

Following the Company's increase in shareholding in MWH Khonji from 49% to 51% the capital investment is recognised in 2017. The Company purchased the remaining shares in Stantec RNet to bring its total shareholding to 100%. The Company invested a £1.4m capital injection received from Stantec Holding B.V. into Stantec UK Limited towards the additional payment made into the Defined Benefit pension scheme. No impairments have been booked in the current period.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

15. INVESTMENTS (CONTINUED)

Subsidiary undertakings

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

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.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

16. TRADE AND OTHER RECEIVABLES

	Group	
	31 December 2017	31 December 2016
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	26,351	27,599
Allowance for doubtful debts	(899)	(692)
Amounts recoverable on contracts	23,398	23,644
Amounts owed by group undertakings	44,290	14,092
Amounts owed by joint operations	137	428
Corporation tax	1,764	1,822
Other debtors	127	1,741
Prepayments and accrued income	2,547	1,633
	<u>97,715</u>	<u>70,267</u>
Amounts falling due after more than one year:		
Retention receivable	1,753	1,515
	<u>1,753</u>	<u>1,515</u>
Total trade and other receivables	<u>99,468</u>	<u>71,684</u>

	Company	
	31 December 2017	31 December 2016
	£'000	£'000
Trade debtors	-	1,586
Amounts owed by group undertakings	-	203
Other debtors	-	-
Prepayments and accrued income	-	5
	<u>-</u>	<u>1,794</u>

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

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Allowance for doubtful debts movement

	Group £'000
At 31 December 2016	693
Impairment losses recognised	196
Amounts recovered	(23)
Amounts written off	(49)
Effect of foreign exchange	82
At 31 December 2017	<u>899</u>

There are no allowances for doubtful debts at Company level.

Ageing of past due but not impaired trade receivables

	Group	
	31 December 2017 £'000	31 December 2016 £'000
Neither past due nor impaired	16,360	14,098
Past due but not impaired:		
31 – 60 days	3,516	6,473
61 – 90 days	1,655	1,591
91 – 120 days	684	1,582
> 120 days	4,136	3,163
	<u>26,351</u>	<u>26,907</u>

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

17. DEFERRED TAX ASSET

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

	Capital allowances in excess of depreciation £'000	Short term timing differences £'000	Retirement benefit obligations £'000	Total £'000
At 31 December 2016	459	447	2,897	3,803
(Charged)/credited to the profit and loss account	315	(51)	(902)	(638)
Credited to the statement of comprehensive income	-	(30)	1,030	1,000
At 31 December 2017	<u>774</u>	<u>366</u>	<u>3,025</u>	<u>4,165</u>

No deferred tax assets have been recognised for accumulated tax losses within the MWH India Private Ltd subsidiary. The utilisation of these losses depends on there being sufficient future taxable profits within these entities. This isn't considered sufficiently certain for the utilisation 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 £1,178,000 (2016: £1,656,000).

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

	Company		
	Capital allowances in excess of depreciation £'000	Short term timing differences £'000	Total £'000
At 31 December 2016	7	113	120
Charged to the profit and loss account	(1)	(5)	(6)
Charged to the statement of comprehensive income	-	(30)	(30)
At 31 December 2017	<u>6</u>	<u>78</u>	<u>84</u>

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

18. TRADE AND OTHER PAYABLES

	Group	
	31 December 2017	31 December 2016
	£'000	£'000
Trade creditors	10,503	12,820
Bank loans and overdrafts	-	1
Amounts owed to group undertakings	44,138	12,711
Amounts owed to joint operations	-	20
Other taxes and social security	5,052	3,492
Other creditors	4,932	4,273
Accruals	13,593	13,484
	<u>78,218</u>	<u>46,801</u>

	Company	
	31 December 2017	31 December 2016
	£'000	£'000
Trade creditors	36	19
Amounts owed to group undertakings	20,852	21,962
Other taxes and social security	-	27
Other creditors	-	59
Accruals	108	664
	<u>20,996</u>	<u>22,731</u>

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

19. OTHER NON-CURRENT PAYABLES

	Group	
	31 December 2017 £'000	31 December 2016 £'000
Annuity payable	158	336
Deferred rent and tenant improvements	93	-
	<u>251</u>	<u>336</u>

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.

	Company	
	31 December 2017 £'000	31 December 2016 £'000
Annuity payable	158	336
	<u>158</u>	<u>336</u>

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

20. PROVISIONS

Historical projects

	31 December 2017 £'000	31 December 2016 £'000
As at 1 January	1,500	-
Arising during the year	1,257	1,500
As at 31 December	<u>2,757</u>	<u>1,500</u>
Analysed as:		
Current	2,741	-
Non-current	16	1,500
As at 31 December	<u>2,757</u>	<u>1,500</u>

Additional provision was made in 2017 to fully cover a claim by a single client within the related project's defects limitation period and settled in full in 2018.

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

21. OPERATING LEASE COMMITMENTS

The Group as lessee:

	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
Lease payments under operating leases recognised as an expense in the period:		
Plant and equipment	1,569	1,374
Land and buildings	2,843	2,912
	<u>4,412</u>	<u>4,286</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 2017 £'000	Plant and equipment 31 December 2017 £'000	Land and buildings 31 December 2016 £'000	Plant and equipment 31 December 2016 £'000
Within one year	1,864	669	1,765	757
Within two to five years	5,302	467	4,835	1,215
After five years	1,741	18	1,396	4
	<u>8,907</u>	<u>1,154</u>	<u>7,996</u>	<u>1,976</u>

The Company has no operating lease commitments.

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

22. SHARE CAPITAL

Group and Company	31 December 2017 £'000	31 December 2016 £'000
Authorised		
10,000,001 (2016: 10,000,000) ordinary shares of £1 each	10,000	10,000
Issued and fully paid		
10,000,001 (2016: 10,000,000) ordinary shares of £1 each	10,000	10,000
Share premium	1,400	-

On 23 June 2017, the Company issued a single £1 share to Stantec Holding B.V. in exchange for £1,400,000.

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

23. 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 Group in an independent fund by Aegon UK Limited. During the period, the Group contributed £5,455,860 (including £3,090,570 contributions made on behalf of employees) to the UK defined contribution plan (2016: £5,018,176). There were no unpaid contributions to the Defined Contribution scheme at 31 December 2017 (31 December 2016: nil).

(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 31 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 was subject to its triennial actuarial valuation by the Company's appointed external qualified actuary to reflect the position as at 31 December 2017. This revaluation indicated a revised deficit position of £17,791,000 with a present value of funded obligations of £144,207,000 against a fair value of plan assets of £126,416,000.

A group contribution of approximately £3,100,000 per annum is currently being paid, covering all divisions of the plan. Due to the increased deficit position as at 31 December 2017 despite increased contributions during 2017 as per the circa 2-year Recovery Plan agreed with the Plan Trustees, the current level of contributions equating to approximately of 9% of total pensionable salaries per annum is to be maintained during 2018. An additional single payment of £1,000,000 was made in January 2018 into the plan towards closing the deficit position.

The result of the triennial valuation is based on:

Method of funding:

As the defined benefits plan does not provide any future service benefits, 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.

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

23. PENSION SCHEME (CONTINUED)

Assumptions used (continued):

Detailed actuarial calculations were based on up to date membership and asset data as at the balance sheet date of 31 December 2017 to determine the Defined Benefit Obligation.

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 usual assumptions for the guaranteed annuity rates ("GARS") under the Clerical Medical contract have been incorporated along with additional loading to reflect a recent change of practice from the insurer as well as an additional loading for the minority of members not subject to GARS.

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

	2017	2016
Discount rate at the end of the period	2.40%	2.60%
Rate of increase in salaries	n/a	n/a
Rate of future inflation – RPI (% pa)	3.20%	3.25%
Rate of increase in future pensions in payment, split:		
Inflation linked up to 5% pa	3.40%	3.50%
Inflation linked up to 2.5% pa	n/a	n/a
Mortality table pre retirement	None	None
Mortality table post retirement, split:		
Members not yet retired	GARS apply	PA92 C2020
Current pensioners	GARS apply	PA92 C2020
Allowance for early retirements	No	No
Allowance for members to commute pension for tax free cash	Yes	Yes

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

23. 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:

	2017 Value of assets £'000	2016 Value of assets £'000
Group pension contract	126,416	115,395
Total fair value of assets	126,416	115,395
Present value of liabilities	(144,207)	(132,452)
Deficit in the plan	(17,791)	(17,057)

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 2017 £'000	31 December 2016 £'000
Current service cost	(280)	(294)
Total operating charge	(280)	(294)

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

23. PENSION SCHEME (CONTINUED)

Analysis of the amount charged to other finance costs:

	31 December 2017	31 December 2016
	£'000	£'000
Expected return on scheme assets	3,012	4,149
Interest cost	(3,382)	(4,285)
	<u>(370)</u>	<u>(136)</u>
Other finance costs	<u>(370)</u>	<u>(136)</u>

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 2017	31 December 2016
	£'000	£'000
Actual gains/(losses) on the assets	7,117	98
Actuarial losses arising from experience adjustments	1,349	(31)
Actuarial (losses)/gains arising from changes in financial assumptions	(14,524)	(14,568)
	<u>(6,058)</u>	<u>(14,501)</u>
Actuarial loss recognised in the statement of comprehensive income	<u>(6,058)</u>	<u>(14,501)</u>

The actual return on the plan assets during the period was £10,129,000 (2016: £4,247,000).

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

23. PENSION SCHEME (CONTINUED)

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

	Value 2017	Value 2016
	£'000	£'000
Equities/Property/Hedge funds	40,947	35,780
Gilts and bonds	13,364	11,564
Cash	11,520	13,198
Value of insured annuitants	60,585	54,853
	<u>126,416</u>	<u>115,395</u>

History of experience gains and losses:

	2017	2016
	£'000	£'000
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	7,117	98
Percentage of scheme assets	<u>5.6%</u>	<u>0.1%</u>
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(1,349)	(31)
Percentage of the present value of scheme liabilities	<u>0.0%</u>	<u>(0.0%)</u>
Total actuarial gain/(loss) in the statement of total recognised gains and losses:		
Amount (£'000)	(6,058)	(14,501)
Percentage of the present value of scheme liabilities	<u>(4.2%)</u>	<u>(10.9%)</u>

Actuarial gains and losses are recognised in the statement of comprehensive income. The cumulative actuarial loss to date is £35,330,000 (2016: £29,272,000).

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

23. PENSION SCHEME (CONTINUED)

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

	31 December 2017	31 December 2016
	£'000	£'000
Opening fair value of plan assets	115,395	113,113
Expected return on plan assets	3,012	4,149
Actuarial gains/(losses) on assets	7,117	98
Contributions paid by the employer	5,974	2,800
Administration expenses and levies met from the Scheme	(280)	(294)
Benefits paid	(4,802)	(4,471)
	<u>126,416</u>	<u>115,395</u>
Closing fair value of plan assets	<u>126,416</u>	<u>115,395</u>

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

	31 December 2016	31 December 2016
	£'000	£'000
Opening defined benefit obligation	132,452	118,039
Interest cost	3,382	4,285
Actuarial losses/(gains) on obligation	13,175	14,599
Benefits paid	(4,802)	(4,471)
	<u>144,207</u>	<u>132,452</u>
Closing defined benefit obligation	<u>144,207</u>	<u>132,452</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

24. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 31 December 2017, the Group had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £1,146,527 (31 December 2016: £1,444,765). The Company and the Group had no capital expenditure commitments as at 31 December 2017 (31 December 2016: £nil).

25. NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2017 £'000	52 week period ended 31 December 2016 £'000
Profit before tax	8,202	9,748
Adjusted for:		
Investment revenue	(305)	(636)
Finance costs	616	306
Depreciation of property, plant and equipment	1,153	1,601
Amortisation of intangible assets	56	52
Loss on sale of property, plant and equipment	40	10
Net unrealised foreign exchange differences	(1,709)	1,491
Pension service costs	280	294
Movement in pension obligation	(5,974)	(2,800)
Movement in deferred revenue	5,235	5,745
Movement in provisions	1,257	-
Operating cash flows before movements in working capital	8,851	15,816
(Increase)/decrease in trade and other receivables	(27,543)	5,901
Increase in trade and other payables	31,382	2,473
Cash generated by operations	12,690	24,190
Income taxes paid	(1,063)	(2,034)
Interest paid	(246)	(170)
Net cash from operating activities	11,381	21,986

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

26. RELATED PARTY TRANSACTIONS

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 year the Group entered into transactions, in the ordinary course of business, with other related parties. The Group has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 December with other related parties, are as follows:

	Sales to		Purchases from	
	Year ended 31 December 2017 £000	52 week period ended 31 December 2016 £000	Year ended 31 December 2017 £000	52 week period ended 31 December 2016 £000
4Delivery Ltd	809	1,073	-	-
ESH-MWH Limited	-	2,084	-	-
M2 (Water) LLP	6,513	3,301	-	-
	<u>7,322</u>	<u>6,458</u>	<u>-</u>	<u>-</u>

STANTEC EUROPE LIMITED (formerly known as MWH Europe Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties consist mainly of labour sold to joint arrangements within the Stantec group.

The following amounts were outstanding at the balance sheet date:

Amounts owed by related parties

	31 December 2017 £000	31 December 2016 £000
4Delivery Ltd	92	1,181
ESH-MWH Ltd	603	219
M2 (Water) LLP	1,656	1,898
	<u>2,351</u>	<u>3,298</u>

Amounts owed to related parties

	31 December 2017 £000	31 December 2016 £000
4Delivery Ltd	-	916
	<u>-</u>	<u>916</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.

STANTEC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2017

27. POST BALANCE SHEET EVENTS

On 23 March 2018, the Group acquired the entire issued share capital of ESI Limited ("ESI"), an environmental services company incorporated in the UK for £6m. With more than 20 years of history in the marketplace, ESI is one of the UK's leading independent scientific environmental consulting firms with capabilities in groundwater, land, and sustainable development. Supporting a diverse spectrum of clients in the private and public sector, ESI maintains a consistent portfolio of projects in the water resources, transport and infrastructure, minerals and waste, and property industries.

On 7 September 2018, the Group acquired Peter Brett Associates ("PBA") in the UK. PBA is an independent practice of engineers, planners, scientists and economists with more than 50 years of history in the marketplace. It is one of the UK's leading development and infrastructure firms with capabilities in planning, infrastructure, land development, built environment and transport, supporting a diverse spectrum of clients in the private and public sector. Established in 1965, PBA have matured to over 700 personnel based in 14 offices across the UK and 3 smaller offices in Central Europe. At the date of signing the accounts, it was not possible to reliably estimate the final purchase price.

These two acquisitions follow a significant effort in identifying businesses that strengthen our existing UK expertise, complement our culture and open further opportunities for growth.

In June 2018, the Company reached agreement on an historic claim by a single client (made within the project's defects limitation period). The final settlement amount was paid in June 2018 and financed by group companies.

During 2018, the Group started trading through locally registered branches in Turkey and Saudi Arabia.

28. CONTROLLING PARTY

The Company's ultimate parent, controlling undertaking and the largest group company in which its results are consolidated for the 2017 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 Stantec Holding BV, a company incorporated in the Netherlands.

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