

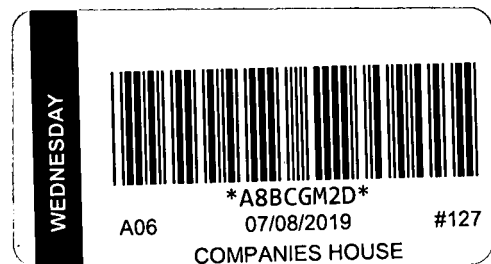
**Company Registration No. 02438136**

**STANTEC EUROPE LIMITED**

(formerly known as MWH Europe Limited)

**Annual Report and Financial Statements**

**For the year ended 31 December 2018**



**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2018**

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**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

C Schefer  
D Smith  
A Wilson  
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

**AUDITOR**

Ernst & Young LLP  
2 St Peters Square  
Manchester  
M2 3EY

## **STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

### **STRATEGIC REPORT**

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Stantec Europe Limited ("the Company") is a wholly owned subsidiary of Stantec Holding BV and, in the period ended 31 December 2018, operated as part of the Europe-Africa geography of Stantec Inc., a Canadian corporation.

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

#### **Principal Activity**

The principal activity of the Company is that of an investment company. The company expects to continue current activities.

#### **Financial Overview**

The profit for the financial period of £4,447,000 (2017: £527,000 loss) has been transferred to/from reserves.

Stantec manages its key performance indicators at a group level. As the Company is an investment company, there are no relevant KPI's in respect of this entity.

### **PRINCIPAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Company level risks have been considered and are listed below.

#### ***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 other than investments are bank balances, cash and intercompany 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.

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**STRATEGIC REPORT (CONTINUED)**

**Going concern**

The Directors consider it appropriate to adopt the going concern basis in preparing the 2018 financial statements as cash resources remain adequate throughout the forecast period. Where additional investment opportunities arise, funding is provided by the wider group.

Further details regarding the adoption of the going concern basis can be found in the Accounting Policies Note, page 14 of the financial statements.

During the year, the Company issued 28 million new ordinary shares to Stantec Holding BV and created an additional £5.16m share premium.

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

A handwritten signature in black ink that reads "Catherine Schefer". The signature is written in a cursive style with a horizontal line at the end.

C Schefer  
Director

2<sup>nd</sup> August 2019

## **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 2018.

#### **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  
A Wilson  
V Hall-Sturt (appointed on 30 August 2018)

There are currently no employees at the company.

No dividend is proposed to be paid in the year (2017: Nil).

#### **STRATEGIC REPORT**

Information relating to the business review of performance; going concern and post balance sheet events of the entity can be found in the Strategic Report on pages 2 to 3 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 2018.

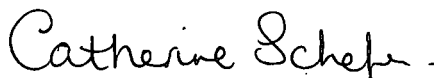
Each of the persons who is a Director at the date of approval of this report confirms that:

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

2<sup>nd</sup> August 2019

## **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 financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

### **Opinion**

We have audited the financial statements of Stantec Europe Limited for the year ended 31 December 2018 which comprise Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 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.

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

### **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.

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.

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

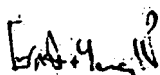
### **Auditor's responsibilities for the audit of the financial statements**

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  
6<sup>th</sup> August 2019

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2018**

|                                                             | <b>Note</b> | <b>Year ended<br/>31 December<br/>2018</b> | <b>Year ended<br/>31 December<br/>2017</b> |
|-------------------------------------------------------------|-------------|--------------------------------------------|--------------------------------------------|
|                                                             |             | <b>£'000</b>                               | <b>£'000</b>                               |
| <b>Revenue</b>                                              | <b>5</b>    | -                                          | -                                          |
| Cost of sales                                               |             | -                                          | -                                          |
|                                                             |             | <hr/>                                      | <hr/>                                      |
| <b>Gross profit</b>                                         |             | -                                          | -                                          |
| Administrative expenses                                     |             | (200)                                      | (51)                                       |
| Other operating income                                      | <b>10</b>   | -                                          | 121                                        |
|                                                             |             | <hr/>                                      | <hr/>                                      |
| <b>Operating loss</b>                                       |             | (200)                                      | 70                                         |
| Investment income                                           | <b>8</b>    | 5,497                                      | 1                                          |
| Finance costs                                               | <b>9</b>    | (645)                                      | (754)                                      |
|                                                             |             | <hr/>                                      | <hr/>                                      |
| <b>Profit/(loss) on ordinary activities before taxation</b> |             | 4,652                                      | (683)                                      |
| Tax (charge)/credit on profit/(loss) on ordinary activities | <b>11</b>   | (205)                                      | 156                                        |
|                                                             |             | <hr/>                                      | <hr/>                                      |
| <b>Profit/(Loss) for the financial period</b>               | <b>6</b>    | <u>4,447</u>                               | <u>(527)</u>                               |

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2018**

|                                                                | Note | Year ended<br>31 December<br>2018 | Year ended<br>31 December<br>2017 |
|----------------------------------------------------------------|------|-----------------------------------|-----------------------------------|
|                                                                |      | £'000                             | £'000                             |
| Profit/(loss) for the financial period                         |      | 4,447                             | (527)                             |
| Items that may be reclassified subsequently to profit or loss: |      |                                   |                                   |
| Currency translation gain/(loss)                               |      | 954                               | (1,695)                           |
| Other comprehensive profit/(loss) for the financial period     |      | <u>954</u>                        | <u>(1,695)</u>                    |
| Total comprehensive profit/(loss) for the financial period     |      | <u>5,401</u>                      | <u>(2,222)</u>                    |

The notes on pages 13 to 25 form part of these financial statements.

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**BALANCE SHEET**

|                                                     | Note | 31 December<br>2018 | 31 December<br>2017 |
|-----------------------------------------------------|------|---------------------|---------------------|
|                                                     |      | £'000               | £'000               |
| <b>Non-current assets</b>                           |      |                     |                     |
| Investments                                         | 12   | 49,326              | 15,875              |
| Deferred tax asset                                  | 14   | 27                  | 84                  |
|                                                     |      | <u>49,353</u>       | <u>15,959</u>       |
| <b>Current assets</b>                               |      |                     |                     |
| Trade and other receivables                         | 13   | 4,521               | -                   |
| Cash and bank balances                              |      | 59                  | (214)               |
|                                                     |      | <u>4,580</u>        | <u>(214)</u>        |
| <b>Total assets</b>                                 |      | <u>53,933</u>       | <u>15,745</u>       |
| <b>Current liabilities</b>                          |      |                     |                     |
| Trade and other payables                            | 15   | (20,660)            | (20,996)            |
| <b>Net current liabilities</b>                      |      | <u>(16,080)</u>     | <u>(21,210)</u>     |
| <b>Non-current liabilities</b>                      |      |                     |                     |
| Other non-current payables                          | 16   | (121)               | (158)               |
|                                                     |      | <u>(121)</u>        | <u>(158)</u>        |
| <b>Total liabilities</b>                            |      | <u>(20,781)</u>     | <u>(21,154)</u>     |
| <b>Net Assets/(liabilities)</b>                     |      | <u>33,152</u>       | <u>(5,409)</u>      |
| <b>Equity</b>                                       |      |                     |                     |
| Share capital                                       | 18   | 38,000              | 10,000              |
| Share premium                                       |      | 6,560               | 1,400               |
| Retained losses                                     |      | (11,408)            | (16,809)            |
| <b>Equity attributable to owners of the Company</b> |      | <u>33,152</u>       | <u>(5,409)</u>      |

These financial statements of Stantec Europe Limited, (registered number 02438136) were approved by the Board of Directors on 2<sup>nd</sup> August 2019 and authorised for issue.

Signed on behalf of the Board of Directors

*Catherine Schefer.*  
C Schefer, Director

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**STATEMENT OF CHANGES IN EQUITY**

|                                           | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>£'000 |
|-------------------------------------------|---------------------------|---------------------------|-------------------------------|----------------|
| <b>Balance at 1 January 2017</b>          | 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          |
| <b>Balance at 31 December 2017</b>        | 10,000                    | 1,400                     | (16,809)                      | (5,409)        |
| Profit for the period                     | -                         | -                         | 4,447                         | 4,447          |
| Other comprehensive income for the period | -                         | -                         | 954                           | 954            |
| Total comprehensive income for the period | -                         | -                         | 5,401                         | 5,401          |
| Issue of share capital                    | 28,000                    | 5,160                     | -                             | 33,160         |
| <b>Balance at 31 December 2018</b>        | 38,000                    | 6,560                     | (11,408)                      | 33,152         |

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 December 2018**

**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 3.

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 applied the following new IFRSs for this account period

- i) IFRS 9: Financial Instruments

The implementation of this standard did not affect the prior year retained earnings for the Company.

**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 2018:

- ii) IFRS 16: Leases

The implementation of this standard did not affect the current or prior year retained earnings for the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

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
- 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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2018**

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of accounting (continued)**

- 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 the ultimate parent company's financial statements at consolidated level.

The financial statements are prepared under the historical cost convention.

**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.

**Consolidated financial statements**

The Company is exempt under s401 of the Companies Act 2006 from the obligation to prepare group accounts as its results are consolidated into those of its ultimate parent, Stantec Inc. Further details are provided in note 21.

***Dividend and interest income***

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 2018**

**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.

**Fixed asset investments**

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

**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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 December 2018**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred tax (continued)***

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.

**Financial instruments**

***Initial recognition and subsequent measurement***

Financial assets (except other receivables that do not have a significant financing component) are initially recognized at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit and loss (FVPL), for which transaction costs are expensed. Trade and other receivables that do not have a significant financing component are initially measured at the transaction price determined in accordance with IFRS 15. Purchases or sales of financial assets are accounted for at trade dates.

Subsequent measurement of financial assets is at amortized cost, fair value through profit or loss, or fair value through other comprehensive income (FVOCI). The classification is based on the Company's business approach for managing the financial assets and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the SPPI criterion). The Company's financial assets include cash and bank balances.

Financial liabilities are initially recognized at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. Subsequent measurement of financial liabilities is at amortized cost using the effective interest method. This method discounts estimated future cash payments or receipts through the expected life of a financial instrument, and thereby calculates the amortized cost and subsequently allocates the interest income or expense over the life of the instrument. For trade and other payables and other financial liabilities, realized gains and losses are reported in the statement of profit and loss.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2018**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

***Fair value***

After initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. For financial instruments not traded in active markets, fair values are determined using appropriate valuation techniques, which may include recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and discounted cash flow analysis; however, other valuation models may be used. Fair values of cash and bank balances and trade and other payables approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amounts of intercompany notes approximate their fair values because the applicable interest rates are based on market rates. The carrying amounts of other financial assets and financial liabilities approximate their fair values except as otherwise disclose in the financial statements.

***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 and expenses are recognised on an effective interest basis for financial instruments other than those financial assets classified as at FVPL.

***Impairment of financial assets***

Financial assets, other than those at FVPL, 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 basis.

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.

The Company recognizes an allowance for expected credit losses (ECLs) on financial assets based on a 12-month ECL or lifetime ECL. Financial assets considered to have low credit risk have an impairment provision recognized during the period limited to 12-month ECLs. However, when credit risk has increased significantly since origination, the allowance is based on the lifetime ECL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 December 2018**

**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 and estimations 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.

**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) **Impairment investment in subsidiaries**

Determining whether the 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.

For the investments in subsidiaries, value in use calculations were prepared for Stantec SA and for Stantec India in the 2018 financial period. An Impairment has been booked in the 2018 financial statements of £310,000 (2017: none). Further details of the impairment losses can be found in Note 12.

**5. REVENUE**

Stantec Europe operates as an investment holding company and has no revenue in 2018 (2017: Nil)

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2018**

**6. PROFIT/LOSS FOR THE FINANCIAL PERIOD**

|                                                             | Year ended<br>31 December<br>2018<br>£'000 | Year ended<br>31 December<br>2017<br>£'000 |
|-------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Profit for the period is stated after charging/(crediting): |                                            |                                            |
| Impairment loss on investment                               | 310                                        | -                                          |
| Foreign exchange (gain)/loss                                | (6)                                        | 16                                         |

Auditor's remuneration is as follows:

|                                                                                                  | Year ended<br>31 December<br>2018<br>£'000 | Year ended<br>31 December<br>2017<br>£'000 |
|--------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | 55                                         | 55                                         |
| Total audit fees                                                                                 | 55                                         | 55                                         |
| Taxation services                                                                                | 3                                          | -                                          |
| Total non-audit fees                                                                             | 3                                          | -                                          |
| Total fees                                                                                       | 58                                         | 55                                         |

**7. STAFF COSTS AND ANALYSIS**

No employees are remunerated by Stantec Europe (2017: None)

**8. INVESTMENT INCOME**

|                                             | Year ended<br>31 December<br>2018<br>£'000 | Year ended<br>31 December<br>2017<br>£'000 |
|---------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Interest income</b>                      |                                            |                                            |
| Dividend income                             | 5,435                                      | -                                          |
| Bank interest                               | 2                                          | 1                                          |
| Interest receivable from group undertakings | 60                                         | -                                          |
|                                             | 5,497                                      | 1                                          |

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 December 2018**

**9. FINANCE COSTS**

|                                        | Year ended<br>31 December<br>2018<br>£'000 | Year ended<br>31 December<br>2017<br>£'000 |
|----------------------------------------|--------------------------------------------|--------------------------------------------|
| Interest payable to group undertakings | 645                                        | 754                                        |
|                                        | <u>645</u>                                 | <u>754</u>                                 |

**10. OTHER OPERATING INCOME**

|       | Year ended 31<br>December<br>2018<br>£'000 | Year ended 31<br>December<br>2017<br>£'000 |
|-------|--------------------------------------------|--------------------------------------------|
| Other | -                                          | 230                                        |
|       | <u>-</u>                                   | <u>230</u>                                 |

Other operating income consists mainly of dividends from subsidiaries and equity income from joint operations.

**11. TAX ON PROFIT ON ORDINARY ACTIVITIES**

|                                         | Year ended 31<br>December<br>2018<br>£'000 | Year ended 31<br>December<br>2017<br>£'000 |
|-----------------------------------------|--------------------------------------------|--------------------------------------------|
| The tax charge comprises:               |                                            |                                            |
| <b>Corporation tax</b>                  |                                            |                                            |
| Current period UK corporation tax       | (95)                                       | (162)                                      |
| Current period overseas tax             | 247                                        | -                                          |
| Adjustments in respect of prior periods | 37                                         | -                                          |
| Total corporation tax charge/(credit)   | <u>189</u>                                 | <u>(162)</u>                               |

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2018**

**11. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

|                                                      | Year ended 31<br>December<br>2018<br>£'000 | Year ended 31<br>December<br>2017<br>£'000 |
|------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Deferred tax</b>                                  |                                            |                                            |
| Origination and reversal of timing differences       | 51                                         | 6                                          |
| Adjustments in respect of prior periods              | (35)                                       | -                                          |
| Total deferred tax charge                            | 16                                         | 6                                          |
| Tax charge/(credit) on profit on ordinary activities | 205                                        | (156)                                      |

**FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE PERIOD**

UK corporation tax is calculated at 19% (2017: 19.25%) of the estimated taxable profit for the period. The charge for the period can be reconciled to the profit and loss account as follows:

|                                                | Year ended<br>31 December<br>2018<br>£'000 | Year ended<br>31 December<br>2017<br>£'000 |
|------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Profit on ordinary activities before tax       | 4,652                                      | (683)                                      |
| Tax at 19% (2017: 19.25%) thereon              | 884                                        | (131)                                      |
| Effects of:                                    |                                            |                                            |
| Non-taxable dividend income                    | (1,033)                                    | (23)                                       |
| Non deductible expenses                        | 59                                         | -                                          |
| Withholding tax suffered on dividend income    | 247                                        | -                                          |
| Adjustments in respect of prior periods        | 2                                          | (2)                                        |
| Losses on which deferred tax is not recognised | 46                                         | -                                          |
| Total tax charge for the period                | 205                                        | (156)                                      |

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 December 2018**

**11. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

|                                                                     | Year ended<br>31 December<br>2018 | Year ended<br>31 December<br>2017 |
|---------------------------------------------------------------------|-----------------------------------|-----------------------------------|
|                                                                     | £'000                             | £'000                             |
| Amounts recognised in other comprehensive income:                   |                                   |                                   |
| <b>Deferred tax</b>                                                 |                                   |                                   |
| Items that will not be reclassified subsequently to profit or loss: |                                   |                                   |
| Annuity                                                             | 6                                 | 30                                |
| Adjustments in respect of prior periods                             | 35                                | -                                 |
|                                                                     | <u>41</u>                         | <u>30</u>                         |
| Tax charge on profit on ordinary activities                         | <u>41</u>                         | <u>30</u>                         |

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 2018.

**12. INVESTMENTS**

|                               | Year ended<br>31 December<br>2018 | Year ended<br>31 December<br>2017 |
|-------------------------------|-----------------------------------|-----------------------------------|
|                               | £'000                             | £'000                             |
| Carrying value at 1 January   | 15,875                            | 14,450                            |
| Acquisitions                  | 906                               | -                                 |
| Capital injection             | 32,855                            | 1,425                             |
| Impairment                    | (310)                             | -                                 |
|                               | <u>49,326</u>                     | <u>15,875</u>                     |
| Carrying value at 31 December | <u>49,326</u>                     | <u>15,875</u>                     |

The Company received £32.5m capital from its immediate parent Stantec Holding B.V. during the year. This capital was used to increase the Company's investment in Stantec UK Limited, in order to fund acquisitions made by Stantec UK Ltd during the year.

On 7 September 2018, the Company acquired 1% of the shares of Peter Brett Associates LLP for a consideration of £0.46m satisfied in cash, and 100% of the shares of PBA International Limited for a consideration of £0.45m satisfied in cash.

Impairments have been recognised in the current period in relation to Stantec Europe's investment in MWH India Pvt Limited. A list of investments in which the Company holds more than 10% interest or share capital as at 31 December 2018 is as follows:

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 December 2018**

**12. INVESTMENTS (CONTINUED)**

**Subsidiary undertakings**

| <b>Company</b>                          | <b>Country of incorporation</b> | <b>Status</b> | <b>% of Equity Owned (all ordinary shares)</b> |
|-----------------------------------------|---------------------------------|---------------|------------------------------------------------|
| 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%                                           |
| PBA International Limited               | UK                              | 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 the subsidiaries is traded in their country of registration.

**13. TRADE AND OTHER RECEIVABLES**

|                                      | <b>31 December 2018</b> | <b>31 December 2017</b> |
|--------------------------------------|-------------------------|-------------------------|
|                                      | <b>£'000</b>            | <b>£'000</b>            |
| Amounts falling due within one year: |                         |                         |
| Trade receivables                    | -                       | -                       |
| Amounts owed by group undertakings   | 4,521                   | -                       |
|                                      | <u>4,521</u>            | <u>-</u>                |

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 December 2018**

**14. DEFERRED TAX ASSET**

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

|                                                  | Capital allowances<br>in excess of<br>depreciation<br>£'000 | Short term<br>timing<br>differences<br>£'000 | Total<br>£'000 |
|--------------------------------------------------|-------------------------------------------------------------|----------------------------------------------|----------------|
| At 31 December 2017                              | 6                                                           | 78                                           | 84             |
| Charged to the profit and loss account           | -                                                           | (16)                                         | (16)           |
| Charged to the statement of comprehensive income | -                                                           | (41)                                         | (41)           |
| At 31 December 2018                              | <u>6</u>                                                    | <u>21</u>                                    | <u>27</u>      |

**15. TRADE AND OTHER PAYABLES**

|                                      | 31 December<br>2018<br>£'000 | 31 December<br>2017<br>£'000 |
|--------------------------------------|------------------------------|------------------------------|
| Amounts falling due within one year: |                              |                              |
| Trade payables                       | -                            | 36                           |
| Amounts owed to group undertakings   | 20,597                       | 20,852                       |
| Accruals                             | 63                           | 108                          |
|                                      | <u>20,660</u>                | <u>20,996</u>                |

**16. OTHER NON-CURRENT PAYABLES**

|                                                                        | 31 December<br>2018<br>£'000 | 31 December<br>2017<br>£'000 |
|------------------------------------------------------------------------|------------------------------|------------------------------|
| Annuity payable to retired partners of the Watson Hawksley Partnership | 121                          | 158                          |
|                                                                        | <u>121</u>                   | <u>158</u>                   |

**STANTEC EUROPE LIMITED** (formerly known as MWH Europe Limited)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2018**

**17. OPERATING LEASE COMMITMENTS**

The Company has no operating lease commitments.

**18. SHARE CAPITAL**

| <b>Group and Company</b>                                 | <b>31 December<br/>2018<br/>£'000</b> | <b>31 December<br/>2017<br/>£'000</b> |
|----------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>Authorised</b>                                        |                                       |                                       |
| 38,000,001 (2017: 10,000,001) ordinary shares of £1 each | 38,000                                | 10,000                                |
| <b>Issued and fully paid</b>                             |                                       |                                       |
| 38,000,001 (2017: 10,000,001) ordinary shares of £1 each | 38,000                                | 10,000                                |
| Share premium                                            | 6,560                                 | 1,400                                 |

During 2018, the Company issued 28,000,000 £1 shares to Stantec Holding B.V. for a cash consideration of £28,000,000. The increase in share premium was comprised of a capital contribution of £5,160,000 paid in March 2018.

**19. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE**

Stantec Europe Ltd had no contingent liabilities or capital expenditure commitments as at 31 December 2018 (2017: £nil).

**20. POST BALANCE SHEET EVENTS**

There have been no post balance sheet events in 2019.

**21. CONTROLLING PARTY**

The Company's ultimate parent, controlling undertaking and the largest group company in which its results are consolidated for the 2018 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.