

**INNOVYZE LIMITED**

**Annual Report and Financial Statements**

**For the 52 week period ended**

**1 January 2016**



# **INNOVYZE LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 1 JANUARY 2016**

| <b>CONTENTS</b>                                                    | <b>Page</b> |
|--------------------------------------------------------------------|-------------|
| <b>Officers and professional advisors</b>                          | <b>1</b>    |
| <b>Strategic report</b>                                            | <b>2</b>    |
| <b>Directors' report</b>                                           | <b>4</b>    |
| <b>Directors' responsibilities statement</b>                       | <b>5</b>    |
| <b>Independent auditor's report</b>                                | <b>6</b>    |
| <b>Statement of profit and loss and other comprehensive income</b> | <b>8</b>    |
| <b>Balance sheet</b>                                               | <b>9</b>    |
| <b>Statement of changes in equity</b>                              | <b>10</b>   |
| <b>Notes to the financial statements</b>                           | <b>11</b>   |

# **INNOVYZE LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 1 JANUARY 2016**

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

P Boulos  
C Schefer  
V Hall-Sturt

#### **COMPANY SECRETARIES**

V Hall-Sturt  
S Moist  
G Maloney

#### **REGISTERED OFFICE**

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

#### **BANKERS**

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

#### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
St Albans  
United Kingdom

# INNOVYZE LIMITED

## STRATEGIC REPORT

Innovyze Limited is a wholly-owned subsidiary of MWH Americas Inc. The company operates as part of the MWH Americas division of MWH Global Inc., as a US corporation.

### Principal activities and business review

The principal activity of the company is the development and sale of computer software and services relating to the water industry. Both the level of business during the 52 week period and financial position at the period-end were satisfactory. The directors expect that the present level of activity will be sustained for the foreseeable future.

### Events after the balance sheet date

On 6 May 2016, MWH Global Inc., the ultimate parent company of Innovyze Ltd, entered into an agreement and plan of merger with Stantec Inc. in which Stantec Inc. acquired all of MWH Global Inc's issued and outstanding capital stock. Stantec Inc. is a publicly traded corporation and its' shares are listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol STN.

### Regulatory situation

In our major water sector market OFWAT regulation remains stable.

### Competition

We have maintained and strengthened our position as the leading supplier of hydraulic and water modelling computer software and associated services to the global water industry in 2015. Our strategy is to maintain and further secure this position during 2016.

### Key performance indicators (KPIs)

The directors are of the opinion that the company's KPIs are turnover and operating profit, the information for which is available in these financial statements. The company maintains a rolling-three year internal strategy plan. The plan targets growth in sales and cash generation. The directors monitor progress against plan on a regular basis, adjusting future objectives annually in line with current circumstances.

### Financial Review

|                         | Period ended 2<br>January 2016 | Period ended 2<br>January 2015<br>(Restated) |
|-------------------------|--------------------------------|----------------------------------------------|
|                         | £000s                          | £000s                                        |
| Turnover                | 7,180                          | 5,714                                        |
| Operating profit        | 2,765                          | 1,664                                        |
| Operating profit margin | 38.5%                          | 29.1%                                        |

Revenues for the 52 week period increased significantly versus the prior year mainly attributable to our position in the AMP Cycle. The increase in profit is due to lower than expected indirect costs, as well as positive FX gain during the period of 12 months. Strong overhead recovery also contributed to the increase in profit margin.

# **INNOVYZE LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **Financial risk management objectives and policies**

The company's internal controls are designed to meet the company's particular needs and the financial risks to which they are exposed. In this context the controls can provide only reasonable, not absolute, assurance against material errors, losses or fraud.

The company's organisational structure is clearly defined and management have a responsibility for identifying the risks and putting in place procedures to monitor and mitigate any financial risks. In addition, the executive directors take an active role in assessing the potential financial risks in all areas of the business. This is achieved both through the normal monthly review of the management accounts and also through day-to-day management control.

The controls ensure that any financial risk is identified and appropriate action taken. The company pricing policy is sustainable and appropriate credit risk is accepted.

### **Financial risk management**

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

#### ***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 but are in place at Global level to mitigate significant exposures.

#### ***Credit risk***

Innovyze's principal financial assets are bank balances, cash and trade and other receivables. Innovyze's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

To manage credit risk, a customer's payment history or credit reference is considered. 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 that sufficient funds are available for on-going operations and future developments, the holding company has access to direct borrowing under the group facility of up to \$800 million which can be distributed to Innovyze as required.

### **GOING CONCERN**

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

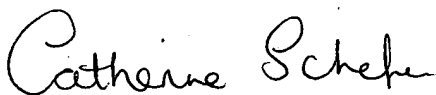
- The company has traded profitably in the period and is expected to continue to trade profitably for the foreseeable future; and
- Cash resources are adequate and there are no external borrowings.

In considering the basis of preparation with regard to going concern, the directors have prepared forecasts for a period of not less than 12 months from the date of approval of these financial statements; taking into account reasonably foreseeable downside scenarios.

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

C Schefer  
Director

15 September 2016



# **INNOVYZE LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the 52 week period ended 1 January 2016.

### **DIVIDENDS**

A dividend of £1,500,000 was declared and paid in the 52 week period ended 1 January 2016 (Period ended 2 January 2015 - £1,500,000).

### **DIRECTORS**

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

P Boulos

C Schefer

V Hall-Sturt (appointed 27 June 2016)

J Kuiken (resigned 15 June 2016)

### **STRATEGIC REPORT**

Information relating to the business review of performance, future prospects; going concern and subsequent events of the entity can be found in the Strategic Report on pages 2 to 3 which are included in this report by reference.

### **TRANSITION TO FINANCIAL REPORTING STANDARD 101 (FRS 101)**

The Directors have considered and assessed that the Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council. Accordingly the Company has changed its accounting framework from pre-2015 UK GAAP ("Old UK GAAP") to FRS 101 from 04 January 2014.

### **EVENTS AFTER THE BALANCE SHEET DATE**

Details of significant events since the balance sheet date are contained in Note 21 to the financial statements.

### **AUDITOR**

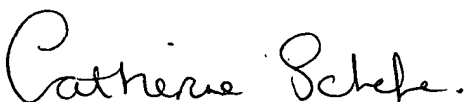
Each of the directors at the date of approval of this report confirms that:

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 himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s 418 of the Companies Act 2006.

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

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



C Schefer  
Director

15 September 2016

## **INNOVYZE 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 INNOVYZE LIMITED**

We have audited the financial statements of Innovyze Limited for the 52 week period ended 1 January 2016 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 January 2016 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOVYZE LIMITED (continued)**

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

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

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



Heather Bygrave (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
St Albans  
United Kingdom  
15 September 2016

# **INNOVYZE LIMITED**

## **STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME** **For the 52 week period ended 1 January 2016**

|                                                      | Note | 52 week<br>period<br>ended 1<br>January<br>2016<br>£'000 | 52 week<br>period<br>ended 2<br>January<br>2015<br>(Restated)<br>£'000 |
|------------------------------------------------------|------|----------------------------------------------------------|------------------------------------------------------------------------|
| <b>REVENUE</b>                                       | 4    | 7,180                                                    | 5,714                                                                  |
| Cost of sales                                        |      | (1,118)                                                  | (1,040)                                                                |
| <b>GROSS PROFIT</b>                                  |      | 6,062                                                    | 4,674                                                                  |
| Administrative expenses                              |      | (3,297)                                                  | (3,010)                                                                |
| <b>OPERATING PROFIT</b>                              |      | 2,765                                                    | 1,664                                                                  |
| Investment revenue                                   | 7    | 16                                                       | 15                                                                     |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | 2,781                                                    | 1,679                                                                  |
| Tax on profit on ordinary activities                 | 8    | (613)                                                    | (365)                                                                  |
| <b>PROFIT FOR THE PERIOD</b>                         | 9    | 2,168                                                    | 1,314                                                                  |
| Other comprehensive income                           |      | -                                                        | -                                                                      |
| <b>TOTAL COMPREHENSIVE INCOME</b>                    |      | 2,168                                                    | 1,314                                                                  |

All activities derive from continuing activities in both the current and prior periods.

The notes on pages 11 to 28 form part of these financial statements.

# INNOVYZE LIMITED

## BALANCE SHEET As at 1 January 2016

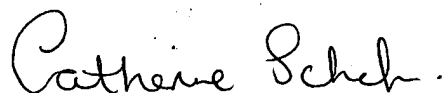
|                                           | Note | 1 January<br>2016<br>£'000 | 2 January<br>2015<br>(Restated)<br>£'000 |
|-------------------------------------------|------|----------------------------|------------------------------------------|
| <b>FIXED ASSETS</b>                       |      |                            |                                          |
| Goodwill                                  | 10   | 96                         | 96                                       |
| Other intangible assets                   | 11   | 3,668                      | 3,920                                    |
|                                           |      | <hr/>                      | <hr/>                                    |
| Intangible assets                         |      | 3,764                      | 4,016                                    |
| Property, plant and equipment             | 12   | 68                         | 94                                       |
| Deferred tax asset                        | 13   | 468                        | 473                                      |
|                                           |      | <hr/>                      | <hr/>                                    |
|                                           |      | 4,300                      | 4,583                                    |
| <b>CURRENT ASSETS</b>                     |      |                            |                                          |
| Trade and other receivables               | 14   | 2,859                      | 1,123                                    |
| Cash at bank and in hand                  |      | 1,925                      | 1,979                                    |
|                                           |      | <hr/>                      | <hr/>                                    |
|                                           |      | 4,784                      | 3,102                                    |
| <b>TOTAL ASSETS</b>                       |      | <hr/> <hr/> 9,084          | <hr/> <hr/> 7,685                        |
| <b>CURRENT LIABILITIES</b>                |      |                            |                                          |
| Trade and other payables                  | 15   | (3,038)                    | (2,136)                                  |
| Deferred income                           |      | (892)                      | (944)                                    |
| Current tax liabilities                   |      | (24)                       | (132)                                    |
|                                           |      | <hr/>                      | <hr/>                                    |
|                                           |      | (3,954)                    | (3,212)                                  |
| <b>NET CURRENT ASSETS / (LIABILITIES)</b> |      | <hr/> 830                  | <hr/> (110)                              |
| <b>NON CURRENT LIABILITIES</b>            |      |                            |                                          |
| Deferred income                           |      | (83)                       | (94)                                     |
|                                           |      | <hr/>                      | <hr/>                                    |
| <b>TOTAL LIABILITIES</b>                  |      | <hr/> <hr/> (4,037)        | <hr/> <hr/> (3,306)                      |
| <b>NET ASSETS</b>                         |      | <hr/> <hr/> 5,047          | <hr/> <hr/> 4,379                        |
| <b>CAPITAL AND RESERVES</b>               |      |                            |                                          |
| Share capital                             | 18   | 1,900                      | 1,900                                    |
| Retained earnings                         |      | 3,147                      | 2,479                                    |
|                                           |      | <hr/>                      | <hr/>                                    |
| <b>SHAREHOLDER'S FUNDS</b>                |      | <hr/> <hr/> 5,047          | <hr/> <hr/> 4,379                        |

The notes on pages 11 to 28 form part of these financial statements.

The financial statements of Innovyze Limited (registered number 06975921) were approved by the Board of Directors on 5 September 2016 and authorised for issue.

Signed on behalf of the Board of Directors

C Schefer  
Director



# **INNOVYZE LIMITED**

## **STATEMENT OF CHANGES IN EQUITY** **As at 1 January 2016**

|                                                  | Note | Share capital<br>£'000 | Profit and<br>loss account<br>£'000 | Total<br>£'000 |
|--------------------------------------------------|------|------------------------|-------------------------------------|----------------|
| <b>Balance at 4 January 2014</b>                 | 22   | 1,900                  | 2,665                               | 4,565          |
| Profit for the period                            |      | -                      | 1,314                               | 1,314          |
| <b>Total comprehensive income for the period</b> |      | -                      | 1,314                               | 1,314          |
| Dividend paid (Note 19)                          |      | -                      | (1,500)                             | (1,500)        |
| <b>Balance at 2 January 2015 (Restated)</b>      | 22   | 1,900                  | 2,479                               | 4,379          |
| Profit for the period                            |      | -                      | 2,168                               | 2,168          |
| <b>Total comprehensive income for the period</b> |      | -                      | 2,168                               | 2,168          |
| Dividend paid (Note 19)                          |      | -                      | (1,500)                             | (1,500)        |
| <b>Balance at 1 January 2016</b>                 |      | 1,900                  | 3,147                               | 5,047          |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 1 January 2016**

**1. GENERAL INFORMATION**

Innovyze Ltd (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.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the period ended 1 January 2016, the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements have therefore been prepared in accordance with FRS 101.

The prior period financial statements were restated for material adjustments on adoption of FRS 101 in the current year. For more information, see Note 22 Transition to FRS 101.

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
- 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 have been given in the group accounts of MWH America Inc. of which the Company's results are included. These financial statements are available to the public on request, from emailing the following address: [mwhcorpcomm@mwhglobal.com](mailto:mwhcorpcomm@mwhglobal.com).

Reconciliations to Profit and Loss from this transition to FRS 101 are provided in Note 22 of these financial statements.

The financial statements are prepared under the historical cost convention. In the current period, the financial statements are made up to the Friday nearest to the year end. Since this is within seven days of 31 December each year, the requirements of the Companies Act with regard to the dating of the financial statements is met. Comparative data is for the period ended 2 January 2015.

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

**For the 52 week period ended 1 January 2016**

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

**Going concern**

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

- The Company has traded profitably in the 52 week period and is expected to continue to trade profitably for the foreseeable future; and
- Cash resources are adequate and there are no external borrowings

In considering the basis of preparation with regard to going concern, the directors have prepared forecasts for a period of not less than 12 months from the date of approval of these financial statements, taking into account reasonably foreseeable downside scenarios.

**Revenue recognition**

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

**Sale of goods**

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

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

**Rendering of services**

Revenue from a contract to provide services, being the sale of software maintenance and support services provided, is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- servicing fees included in the price of products sold are recognised over the life of the support period on a straight line basis; and
- where a contract has only been partially completed at the balance sheet date, revenue represents the value of the service provided to date based on a proportion of the total contract value.

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

**Royalties**

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

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

**Revenue recognition (continued)**

***Interest revenue***

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.

**Goodwill**

Goodwill arising on acquisition of trade and assets represents any excess of the fair value of the consideration given over the fair value of the identifiable net assets. Goodwill is assessed on an annual basis for any impairment.

**Other intangible assets**

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

***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.

Research and development expenditure incurred by the Company generally relates to employee time spent on research and development of computer software.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

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

**Other intangible assets (continued)**

The useful economic life of other intangibles are as follows:

|                               |            |
|-------------------------------|------------|
| Direct customer relationships | 12.5 years |
| Distributor agreements        | 12.5 years |
| Software technology           | 10.5 years |
| Software development costs    | 3 years    |

Trademarks are considered to have an indefinite useful life.

***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.

**Property, plant and equipment**

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

|                                         |             |
|-----------------------------------------|-------------|
| Fixtures, fittings, tools and equipment | 3 – 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.

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.

**Impairment of property, plant and equipment and intangible assets**

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

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

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

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

**For the 52 week period ended 1 January 2016**

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

**Impairment of property, plant and equipment and intangible assets (continued)**

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.

**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 are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

**Leasing obligations**

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.

***The Company as lessee***

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

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

**Financial instruments**

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

**Financial assets**

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

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

**Effective interest method**

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

**Loans and receivables**

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

**Impairment of financial assets**

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

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

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

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

**For the 52 week period ended 1 January 2016**

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

**Financial instruments (continued)**

***Financial liabilities***

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

***Financial liabilities at FVTPL***

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

A financial liability is classified as held for trading if:

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

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

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

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

***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

**Taxation**

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

***Current tax***

The tax currently payable is based on taxable profit for the 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

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

**Taxation (continued)**

***Deferred tax***

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

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

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

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

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

***Current tax and deferred tax for the period***

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

***Retirement benefit costs***

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The Company participates in a group defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the income statement.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

**For the 52 week period ended 1 January 2016**

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**Critical judgements in applying the Company's accounting policies**

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

i) **Revenue recognition**

The revenue recognition process involves considerable use of judgements and estimates in determining revenues, costs and profits and in assigning the amounts to the relevant accounting periods. Management has to consider the detailed criteria for the recognition of revenue from the sale of goods as set out in IAS 18 Revenue and in particular, whether the Company has transferred to the buyer the risks and rewards of ownership of the goods. The process is complicated by the need to evaluate continually the uncertainties inherent in the performance of service 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 year, are discussed below.

ii) **Intangible assets**

Expenditure arising on the Company's software development is capitalised when the relevant recognition criteria are met. Estimation is involved in determining when these criteria are met and when the intangible assets arise.

iii) **Useful lives of property, plant and equipment and intangible assets**

The Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period. Estimation is involved in assessing how long these assets will maintain their worth in the business.

**4. REVENUE**

All turnover is attributable to the principal activity of the Company. All of our key markets are considered to belong to our one principal activity, being development and sale of computer software and services relating to the water industry.

An analysis of the Company's revenue is as follows:

|                     | <b>52 week<br/>period<br/>ended<br/>1 January<br/>2016<br/>£'000</b> | <b>52 week<br/>period<br/>ended<br/>2 January<br/>2015<br/>£'000</b> |
|---------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|
| License sales       | 3,689                                                                | 2,622                                                                |
| Maintenance revenue | 2,645                                                                | 2,422                                                                |
| Royalty income      | 846                                                                  | 670                                                                  |
|                     | <u>7,180</u>                                                         | <u>5,714</u>                                                         |

# INNOVYZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 week period ended 1 January 2016

### 4. REVENUE (CONTINUED)

The revenue is split geographically as follows:

|                   | 52 week<br>period<br>ended<br>1 January<br>2016<br>£'000 | 52 week<br>period<br>ended<br>2 January<br>2015<br>£'000 |
|-------------------|----------------------------------------------------------|----------------------------------------------------------|
| United Kingdom    | 3,406                                                    | 2,616                                                    |
| Rest of the World | 3,774                                                    | 3,098                                                    |
|                   | <u>7,180</u>                                             | <u>5,714</u>                                             |

### 5. DIRECTORS' REMUNERATION

Directors are remunerated by other MWH companies and not recharged.

### 6. STAFF COSTS AND ANALYSIS

|                                                                         | 52 week<br>period<br>ended<br>1 January<br>2016<br>No. | 52 week<br>period<br>ended<br>2 January<br>2015<br>No. |
|-------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| <b>Average monthly number of persons employed (excluding directors)</b> |                                                        |                                                        |
| Technical staff                                                         | 31                                                     | 32                                                     |
| Sales and marketing staff                                               | 6                                                      | 6                                                      |
| Administration staff                                                    | 3                                                      | 3                                                      |
|                                                                         | <u>40</u>                                              | <u>41</u>                                              |

|                                      | 52 week<br>period<br>ended<br>1 January<br>2016<br>£'000 | 52 week<br>period<br>ended<br>2 January<br>2015<br>£'000 |
|--------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| <b>Staff costs during the period</b> |                                                          |                                                          |
| Wages and salaries                   | 1,188                                                    | 1,218                                                    |
| Social security costs                | 278                                                      | 295                                                      |
| Pension costs (Note 17)              | 260                                                      | 273                                                      |
|                                      | <u>1,726</u>                                             | <u>1,786</u>                                             |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

**7. INVESTMENT REVENUE**

|                                          | 52 week<br>period<br>ended<br>1 January<br>2016<br>£'000 | 52 week<br>period<br>ended<br>2 January<br>2015<br>£'000 |
|------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| <b>Interest receivable</b>               |                                                          |                                                          |
| Bank interest receivable                 | 3                                                        | 5                                                        |
| Interest on corporation tax overpayments | -                                                        | 7                                                        |
| Inter group interest receivable          | 13                                                       | 3                                                        |
|                                          | <u>16</u>                                                | <u>15</u>                                                |

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax charge comprises:

|                                                   | Period<br>ended<br>1 January<br>2016<br>£'000 | Period<br>ended<br>2 January<br>2015<br>£'000 |
|---------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Current tax</b>                                |                                               |                                               |
| UK corporation tax at 20.25% (2014 – 21.48%)      | 613                                           | 372                                           |
| Prior period adjustment                           | (5)                                           | 123                                           |
| Total current tax charge                          | <u>608</u>                                    | <u>495</u>                                    |
| <b>Deferred tax</b>                               |                                               |                                               |
| Change in tax rate                                | 47                                            | (27)                                          |
| Timing differences, origination and reversal      | (44)                                          | -                                             |
| Prior period adjustment                           | 2                                             | (103)                                         |
| Total deferred tax charge / (credit)              | <u>5</u>                                      | <u>(130)</u>                                  |
| Total tax charge on profit on ordinary activities | <u>613</u>                                    | <u>365</u>                                    |

The Government has announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was not substantively enacted as at 1 January 2016 the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. Finance Act 2015 (No.2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 18% in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax will be reduced.

Corporation tax is calculated at 20.25% (2014: 21.48%) of the estimated taxable profit for the period.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

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

The charge for the period can be reconciled to the profit in the statement of profit and loss and other comprehensive income as follows:

|                                             | Period<br>ended<br>1 January<br>2016<br>£'000 | Period<br>ended<br>2 January<br>2015<br>(Restated)<br>£'000 |
|---------------------------------------------|-----------------------------------------------|-------------------------------------------------------------|
| Profit on ordinary activities before tax    | 2,781                                         | 1,679                                                       |
| UK corporation tax at 20.25% (2014: 21.48%) | 563                                           | 361                                                         |
| Effects of:                                 |                                               |                                                             |
| Income not taxable                          | -                                             | (18)                                                        |
| Change in tax rate                          | 53                                            | 2                                                           |
| Prior year adjustment                       | (3)                                           | 20                                                          |
| Total tax charge for the period             | 613                                           | 365                                                         |

No amounts have been recognised in other comprehensive income.

**9. PROFIT FOR THE PERIOD**

|                                                         | 52 week<br>period<br>ended<br>1 January<br>2016<br>£'000 | 52 week<br>period<br>ended<br>2 January<br>2015<br>(Restated)<br>£'000 |
|---------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------------------|
| <b>Profit for the period is stated after charging :</b> |                                                          |                                                                        |
| Depreciation on owned assets (Note 12)                  | 56                                                       | 53                                                                     |
| Amortisation of other intangible assets (Note 11)       | 1,365                                                    | 1,287                                                                  |
| Operating lease rentals                                 |                                                          |                                                                        |
| Plant and machinery                                     | 25                                                       | 15                                                                     |
| Other                                                   | 129                                                      | 140                                                                    |
| Impairment loss on trade receivables                    | 2                                                        | 34                                                                     |
| Foreign exchange losses                                 | 32                                                       | 61                                                                     |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

**9. PROFIT FOR THE PERIOD (CONTINUED)**

The analysis of auditor's remuneration is as follows:

|                                                                                              | <b>52 week<br/>period<br/>ended<br/>1 January<br/>2016<br/>£'000</b> | <b>52 week<br/>period<br/>ended<br/>2 January<br/>2015<br/>£'000</b> |
|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|
| Fees payable to the Company's auditor for the audit of the<br>Company's financial statements | 18                                                                   | 15                                                                   |
| Total audit fees                                                                             | 18                                                                   | 15                                                                   |
| Tax compliance services                                                                      | 8                                                                    | 8                                                                    |
| Total fees                                                                                   | <u>26</u>                                                            | <u>23</u>                                                            |

**10. INTANGIBLE FIXED ASSETS – GOODWILL**

|                                      | <b>Goodwill<br/>£'000</b> |
|--------------------------------------|---------------------------|
| <b>Cost and carrying amount</b>      |                           |
| At 2 January 2015 and 1 January 2016 | <u>.96</u>                |

Goodwill arose on acquisition of business in 2011. The above cost and carrying amount represent the value at the date of transition to FRS 101 on 4 January 2014.

# INNOVYZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the 52 week period ended 1 January 2016

### 11. OTHER INTANGIBLE FIXED ASSETS

|                                     | Trademarks<br>£'000 | Direct<br>customer<br>relationships<br>£'000 | Distributor<br>agreements<br>£'000 | Software<br>technology<br>£'000 | Software<br>development<br>costs<br>£'000 | Total<br>£'000 |
|-------------------------------------|---------------------|----------------------------------------------|------------------------------------|---------------------------------|-------------------------------------------|----------------|
| <b>Cost</b>                         |                     |                                              |                                    |                                 |                                           |                |
| At 2 January 2015<br>(Restated)     | 446                 | 1,090                                        | 920                                | 910                             | 5,525                                     | 8,891          |
| Additions                           | -                   | -                                            | -                                  | -                               | 1,113                                     | 1,113          |
| Disposals                           | -                   | -                                            | -                                  | -                               | (56)                                      | (56)           |
| At 1 January 2016                   | 446                 | 1,090                                        | 920                                | 910                             | 6,582                                     | 9,948          |
| <b>Accumulated<br/>amortisation</b> |                     |                                              |                                    |                                 |                                           |                |
| At 2 January 2015<br>(Restated)     | -                   | 463                                          | 394                                | 463                             | 3,651                                     | 4,971          |
| Charge for the<br>period            | -                   | 87                                           | 74                                 | 87                              | 1,117                                     | 1,365          |
| Disposals                           | -                   | -                                            | -                                  | -                               | (56)                                      | (56)           |
| At 1 January 2016                   | -                   | 550                                          | 468                                | 550                             | 4,712                                     | 6,280          |
| <b>Carrying amount</b>              |                     |                                              |                                    |                                 |                                           |                |
| At 1 January 2016                   | 446                 | 540                                          | 452                                | 360                             | 1,870                                     | 3,668          |
| At 2 January 2015<br>(Restated)     | 446                 | 627                                          | 526                                | 447                             | 1,874                                     | 3,920          |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

**12. TANGIBLE FIXED ASSETS**

|                                 | <b>Fixtures,<br/>fittings, tools<br/>and<br/>equipment<br/>£'000</b> |
|---------------------------------|----------------------------------------------------------------------|
| <b>Cost</b>                     |                                                                      |
| At 2 January 2015 (Restated)    | 353                                                                  |
| Additions                       | 30                                                                   |
|                                 | <hr/>                                                                |
| At 1 January 2016               | 383                                                                  |
|                                 | <hr/>                                                                |
| <b>Accumulated depreciation</b> |                                                                      |
| At 2 January 2015 (Restated)    | 259                                                                  |
| Charge for the period           | 56                                                                   |
|                                 | <hr/>                                                                |
| At 1 January 2016               | 315                                                                  |
|                                 | <hr/>                                                                |
| <b>Carrying amount</b>          |                                                                      |
| At 1 January 2016               | 68                                                                   |
|                                 | <hr/> <hr/>                                                          |
| At 2 January 2015 (Restated)    | 94                                                                   |
|                                 | <hr/> <hr/>                                                          |

There are no assets held under finance leases in either period.

**13. DEFERRED TAX ASSET**

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

|                                                   | <b>Capital<br/>allowances<br/>in excess of<br/>depreciation<br/>£'000</b> | <b>Short term<br/>timing<br/>differences<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------|------------------------|
| At 2 January 2015                                 | 472                                                                       | 1                                                      | 473                    |
| (Charged)/credited to the profit and loss account | (6)                                                                       | 1                                                      | (5)                    |
|                                                   | <hr/>                                                                     | <hr/>                                                  | <hr/>                  |
| At 1 January 2016                                 | 466                                                                       | 2                                                      | 468                    |
|                                                   | <hr/> <hr/>                                                               | <hr/> <hr/>                                            | <hr/> <hr/>            |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

**14. TRADE AND OTHER RECEIVABLES**

|                                      | <b>1</b><br><b>January</b><br><b>2016</b><br><br><b>£'000</b> | <b>2</b><br><b>January</b><br><b>2015</b><br><b>(Restated)</b><br><b>£'000</b> |
|--------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------|
| Amounts falling due within one year: |                                                               |                                                                                |
| Trade debtors                        | 1,416                                                         | 916                                                                            |
| Accrued income                       | -                                                             | 13                                                                             |
| Amounts owed by group undertakings   | 1,394                                                         | 179                                                                            |
| Prepayments                          | 49                                                            | 15                                                                             |
|                                      | <u>2,859</u>                                                  | <u>1,123</u>                                                                   |

**15. TRADE AND OTHER PAYABLES**

|                                      | <b>1</b><br><b>January</b><br><b>2016</b><br><br><b>£'000</b> | <b>2</b><br><b>January</b><br><b>2015</b><br><b>(Restated)</b><br><b>£'000</b> |
|--------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------|
| Amounts falling due within one year: |                                                               |                                                                                |
| Trade payables                       | 80                                                            | 44                                                                             |
| Amounts owed to group undertakings   | 2,207                                                         | 1,446                                                                          |
| Other taxes and social security      | 208                                                           | 148                                                                            |
| Accruals                             | 529                                                           | 486                                                                            |
| Other creditors                      | 14                                                            | 12                                                                             |
|                                      | <u>3,038</u>                                                  | <u>2,136</u>                                                                   |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

**16. OPERATING LEASE ARRANGEMENTS**

The Company as lessee:

|                                                                               | 52 week<br>period<br>ended<br>1 January<br>2016<br>£'000 | 52 week<br>period<br>ended<br>2 January<br>2015<br>£'000 |
|-------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Lease payments under operating leases recognised as an expense in the period: |                                                          |                                                          |
| Land and buildings                                                            | 129                                                      | 140                                                      |
| Plant and machinery                                                           | 25                                                       | 15                                                       |
|                                                                               | <u>154</u>                                               | <u>155</u>                                               |

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

|                          | Land and buildings         |                            | Plant and machinery        |                            |
|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                          | 1 January<br>2016<br>£'000 | 2 January<br>2015<br>£'000 | 1 January<br>2016<br>£'000 | 2 January<br>2015<br>£'000 |
| Within one year          | 129                        | 129                        | 4                          | 4                          |
| Within two to five years | 389                        | 518                        | -                          | -                          |
| After five years         | -                          | -                          | -                          | -                          |
|                          | <u>518</u>                 | <u>647</u>                 | <u>4</u>                   | <u>4</u>                   |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 week period ended 1 January 2016**

**17. RETIREMENT BENEFIT SCHEMES**

**Defined contribution schemes**

The Company operates defined contribution retirement benefit schemes for all its' qualifying employees. The assets of the schemes are held separately from those of the Company in an independent fund by AEGON UK Limited. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £115,000 (2014: £121,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. There were no unpaid contributions to the defined contribution scheme at 1 January 2016 (2 January 2015: nil).

**Defined benefit schemes**

The Company participates in a group defined benefit scheme for qualifying employees.

There is no contractual agreement or stated policy for charging the net defined benefit cost and, therefore the affiliate Company, MWH UK Ltd, which is the sponsoring employer of the scheme, recognises the whole of the scheme surplus or deficit in its financial statements. In accordance with IAS 19, the Company recognises a cost equal to its contribution payable for the period, which in the 52 week period ended 1 January 2016 was £145,000 (52 week period ended 2 January 2015: £152,000).

Further details of the Group defined benefit scheme are disclosed in the financial statements of the affiliate Company, MWH UK Ltd, which are available to the public, on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

**18. SHARE CAPITAL**

|                                      | <b>1 January<br/>2016<br/>£'000</b> | <b>2 January<br/>2015<br/>£'000</b> |
|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>Authorised</b>                    |                                     |                                     |
| 1,900,000 ordinary shares of £1 each | 1,900                               | 1,900                               |
| <b>Issued and fully paid</b>         |                                     |                                     |
| 1,900,000 ordinary shares of £1 each | 1,900                               | 1,900                               |

**19. DIVIDENDS ON EQUITY SHARES**

Amounts recognised as distributions to equity holders in the year:

|                                                                                                                             | <b>1 January<br/>2016<br/>£'000</b> | <b>2 January<br/>2015<br/>£'000</b> |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Interim dividend proposed and paid (78.95p per ordinary share<br>(Period ended 2 January 2015 – 78.95p per ordinary share)) | 1,500                               | 1,500                               |

**20. CONTROLLING PARTY**

The Company's ultimate parent, controlling undertaking and the largest group company in which its results are consolidated for the 2015 period is MWH Global Inc., a company incorporated in the United States of America.

Refer to Note 21 for details of a subsequent change in ownership.

The immediate parent undertaking is Innovyze Inc. and its' immediate parent undertaking and the smallest group company in which the results of Innovyze Ltd are consolidated is MWH Americas Inc.

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

**For the 52 week period ended 1 January 2016**

**21. SUBSEQUENT EVENTS**

On 6 May 2016, MWH Global Inc., the ultimate parent company of Innovyze Ltd, entered into an agreement and plan of merger with Stantec Inc. in which Stantec Inc. acquired all of MWH Global Inc's issued and outstanding capital stock. Stantec Inc. is a publicly traded corporation and its' shares are listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol STN.

**22. TRANSITION TO FRS 101**

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the period of transition. The last financial statements under a previous GAAP (pre-2015 UK GAAP) were for the 52 week period ended 2 January 2015 and the date of transition to FRS 101 was therefore 4 January 2014.

**Reconciliation of equity**

|                                                      | At 4 January<br>2014<br>£'000 | At 2 January<br>2015<br>£'000 |
|------------------------------------------------------|-------------------------------|-------------------------------|
| Equity reported under previous UK GAAP               | 4,565                         | 4,344                         |
| a) Adjustment for reversal of Goodwill amortisation  | -                             | 6                             |
| b) Adjustment for reversal of Trademark amortisation | -                             | 29                            |
| <b>Equity reported under FRS 101</b>                 | <b>4,565</b>                  | <b>4,379</b>                  |

- a) Goodwill is not permitted to be amortised under FRS 101, therefore the 2014 amortisation has been reversed on transition
- b) Under FRS 101, the Trademarks have been considered to have an indefinite useful life and therefore are not amortised so the 2014 amortisation has been reversed on transition

**Reconciliation of total comprehensive income**

|                                                                  | 52 week period<br>ended 2<br>January 2015<br>£'000 |
|------------------------------------------------------------------|----------------------------------------------------|
| Total comprehensive income for the period under previous UK GAAP | 1,279                                              |
| Adjustment for reversal of Goodwill amortisation                 | 6                                                  |
| Adjustment for reversal of Trademark amortisation                | 29                                                 |
| <b>Total comprehensive income for the period under FRS 101</b>   | <b>1,314</b>                                       |