

MWH TREATMENT LIMITED

Annual Report and Financial Statements

For the 52 week period ended 1 January 2016



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

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B M Lavoie
D G Barnes
R Nuttall
P J Bresnan

COMPANY SECRETARIES

S A Moist
V Hall-Sturt
G P Maloney

REGISTERED OFFICE

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Buckinghamshire
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

STRATEGIC REPORT

The directors, in preparing this Strategic Report, have complied with S414C of the Companies Act 2006.

MWH Treatment Limited is a wholly owned subsidiary of MWH Limited and operates in the United Kingdom.

The principal activities of the company consist of the design and installation of water and sewage treatment plants for the UK water sector.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

MWH Treatment Limited (the company) is considered a leading entity in the water industry offering design and construction services for water companies across the UK. The group is part of numerous Asset Management Plan ("AMP") frameworks covering the United Kingdom, with clients including Southern Water, United Utilities, Anglian Water, Thames Water, Scottish Water and Severn Trent Water.

During the 52 week period the company continued to build on its reputation both within existing framework arrangements and in competitively tendered work. The results for the company show turnover for the 52 week period of £156,137,000 (52 week period ended 2 January 2015: £145,195,000), gross profit of £7,982,000 (52 week period ended 2 January 2015: £8,596,000) and a pre-tax profit of £551,000 (52 week period ended 2 January 2015: £2,509,000). The increase in turnover is due to the cyclical nature of the water industry AMP programmes. The lower Operating Profit is largely due to additional costs incurred closing out projects from the AMP5 portfolio of works.

The cash balance for the period ending 1 January 2016 was £5,252,000 (52 week period ended 2 January 2015: £6,245,000). The company is part of a close company cash pooling arrangement which precludes the need for settlement of all intra company balances. The decrease in cash is mainly due to milestone payments benefits in the prior financial period.

The directors monitor the business performance using a number of financial performance indicators including monitoring results against a detailed annual budget for the profit and loss account and balance sheet which is then reviewed on a quarterly basis. The company also prepares monthly management accounts with variance reporting and sets weekly, monthly and quarterly targets for cash collection. There are a number of non-financial performance indicators that the company use such as staff headcount and utilisation, health and safety performance and compliance reviews of company procedures.

PRINCIPAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors have evaluated the company's approach to risk and established processes and procedures accordingly. The principal risks and uncertainties facing the company are broadly grouped as competitive, legislative and credit, liquidity and cash flow risks.

Competitive risks

The company benefits from being a party to some significant long term AMP framework contracts and is successful in working with the majority of water companies in the UK. Consequently, the company benefits from a large order book to facilitate a strong platform for growth. However, it is acknowledged that the water sector clients have become very price driven and require highly efficient project delivery.

The company continues to invest in its strategy to develop new markets such as Waste and Energy and remains committed to its diversification approach. The company has secured three major Waste and Energy projects over the past two years and has entered into an arrangement with a global leader in the market to further diversify the portfolio of this work.

Legislative risks

The company may be exposed to changes in legislative framework in areas such as health and safety and employment law. The directors of the company have dedicated teams assigned to these disciplines and stringently monitor developments to ensure that they are aware of any changes.

Credit, liquidity and cash flow risks

During the period, the activities of the company were almost entirely conducted in the United Kingdom and the company was not exposed to any material financial risks of changes in foreign currency exchange rates. However, the company does operate under a formal risk management policy associated with foreign currency exposures when applicable.

STRATEGIC REPORT

PRINCIPAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit, liquidity and cash flow risks (continued)

The company's principal financial assets are cash at bank and in hand, trade debtors, and amounts recoverable on contracts. The company's credit risk is primarily attributable to its trade debtors and amounts recoverable on contracts. The amounts presented in the balance sheet for trade debtors are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company aims to mitigate liquidity and cash flow risks by monitoring regional cash generation and applying cash collection targets on weekly, monthly and quarterly basis. Liquidity and cashflow risks are dealt with in more detail under the Going Concern section below.

Going concern

At the balance sheet date, the company had access to intercompany funding with MWH Europe Ltd, which was able to be extended to £10m. This facility was utilised as required to fund short term working capital needs. Since the balance sheet date, the company's ultimate holding company has merged with Stantec Inc. The implication for the company funding requirements, is that the new holding company has access to direct borrowing under the group facility of up to \$800m which can be distributed to the company as required.

The directors have prepared forecasts for a period of at least 12 months from the date of approval of these financial statements. The directors are currently of the opinion that these forecasts and projections, after considering the current economic environment and subjecting them to reasonably robust sensitivities, show that the entities named above should be able to operate within the level of the current facilities and pay their liabilities as they fall due.

As reported above, the company has long-term contracts with many UK water companies and continues to look at ways to expand its customer base in both existing and new markets. These existing contracts and growth plans allow management to prepare forecasts for a period of 12 months from the date of signing these accounts. As a consequence, the directors believe that the company is well placed to manage its business risks and working capital cash flows successfully.

As a result of the assessments made, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Environment

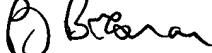
The company fully recognises the importance of its environmental responsibilities, monitors and controls its impact on the environment and implements policies aimed at reducing any damage that might be caused by the group's activities. MWH Treatment Limited operates fully in accordance with these policies.

Employees

MWH Treatment Limited is certified in Investors in People (IIP) and this provides the core system for the continued learning and development of its staff. MWH Treatment Limited employees also have access to the company's own intranet site that provides information daily as to the latest news involving the company. Good employee communication has been given a high priority in order to involve employees in the affairs of the business. This continues to be a key area of focus.

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

By order of the Board



P J Bresnan

Director

14 October 2016

DIRECTORS' REPORT

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

DIVIDENDS AND TRANSFERS FROM RESERVES

The profit for the 52 week period was £134,000 (52 week period ended 2 January 2015: £2,750,000). The directors do not recommend the payment of any dividends (52 week period ended 2 January 2015: £nil). No dividends were paid during the 52 week period (52 week period ended 2 January 2015: £nil).

DIRECTORS

The directors who held office during the 52 week period and up to the date of signing the accounts are given below:

Blair Lavoie	
David Barnes	(appointed 7 July 2016)
Jim Kuiken	(resigned 15 June 2016)
Rolfe Nuttall	(appointed 17 February 2015)
Paul A Gledhill	(appointed 20 February 2015 and resigned 27 June 2016)
Paul J Bresnan	(appointed 23 February 2015)
John P Abraham	(resigned 17 February 2015)

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 4 which are included in this report by reference.

EVENTS AFTER THE BALANCE SHEET DATE

On 6 May 2016, MWH Global Inc., the ultimate parent Company of MWH Treatment Limited, 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.

The Company disposed of the Gregg Street Property on 1st July 2016, Gregg House, Gregg Street, Heywood for £875,000.

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 1 April 2014.

AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is not aware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves 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.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put into place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

DIRECTORS' REPORT (continued)

By order of the Board



P J Bresnan

Director

14 October 2016

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 period. 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 MWH TREATMENT LIMITED

We have audited the financial statements of MWH Treatment Limited for the 52 week period ended 1 January 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet and Statement of Changes in Equity and the related notes 1 to 24. 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 "Reduce 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;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 52 week period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MWH TREATMENT 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
14 October 2016

PROFIT AND LOSS ACCOUNT
52 week period ended 1 January 2016

	Note	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 (restated) £'000
Revenue	4	156,137	145,195
Cost of sales		(148,155)	(136,599)
GROSS PROFIT		7,982	8,596
Administrative expenses		(8,231)	(5,913)
Other operating income	6	1,316	-
OPERATING PROFIT		1,067	2,683
Investment revenue	9	223	240
Finance costs	10	(739)	(414)
PROFIT BEFORE TAX	5	551	2,509
Tax (charge) / credit	11	(417)	241
PROFIT FOR THE FINANCIAL PERIOD		134	2,750

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

The notes on pages 13 to 34 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
52 week period ended 1 January 2016

	Note	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 (restated) £'000
Profit for the period		134	2,750
Items that will not be reclassified subsequently to profit or loss			
Actuarial Gains / (losses)	21	3,176	(9,959)
Income tax relating to items that will not be reclassified subsequently to profit or loss	15	(783)	1,992
Other comprehensive income / (expense) for the period net of tax		2,393	(7,967)
Total comprehensive income /(expense) for the period attributable to the owners of the Company		2,527	(5,217)

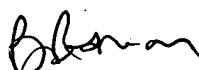
BALANCE SHEET
As at 1 January 2016

	Note	1 January 2016 £'000	2 January 2015 (restated) £'000
NON-CURRENT ASSETS			
Investments	12	7,896	7,896
Intangible assets	13	1,977	1,022
Property, plant and equipment	14	1,544	1,206
Deferred tax asset	15	2,797	4,356
		<u>14,214</u>	<u>14,480</u>
CURRENT ASSETS			
Inventories	16	184	111
Trade and other receivables	17	69,469	64,788
Current tax assets		350	168
Cash and bank balances		5,252	6,245
Assets classified as held for sale	14	875	-
		<u>76,130</u>	<u>71,312</u>
TOTAL ASSETS		<u>90,344</u>	<u>85,792</u>
CURRENT LIABILITIES			
Trade and other payables	18	(62,693)	(55,141)
NET CURRENT ASSETS		<u>13,437</u>	<u>16,171</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	21	(11,864)	(17,391)
TOTAL LIABILITIES		<u>(74,557)</u>	<u>(72,532)</u>
NET ASSETS		<u>15,787</u>	<u>13,260</u>
EQUITY			
Share capital	19	3,500	3,500
Retained earnings		12,287	9,760
TOTAL EQUITY		<u>15,787</u>	<u>13,260</u>

The notes on pages 13 to 34 form part of these financial statements.

The financial statements for MWH Treatment Limited, registered number 01535477, were approved by the Board of Directors and authorised for issue on 14 October 2016.

Signed on behalf of the Board of Directors



P J Bresnan

Director

STATEMENT OF CHANGES IN EQUITY
As at 1 January 2016

	Note	Share capital	Profit and loss account (restated)	Total (restated)
		£'000	£'000	£'000
Balance at 3 January 2014		3,500	15,935	19,435
Adjustments on transition to FRS 101	24	-	(958)	(958)
As restated		3,500	14,977	18,477
Profit for the period		-	2,750	2,750
Other comprehensive expense for the period		-	(7,967)	(7,967)
Total comprehensive expense for the period		-	(5,217)	(5,217)
Balance at 2 January 2015		3,500	9,760	13,260
Profit for the period		-	134	134
Other comprehensive income for the period		-	2,393	2,393
Total comprehensive income for the period		-	2,527	2,527
Balance at 1 January 2016		3,500	12,287	15,787

NOTES TO THE FINANCIAL STATEMENTS

52 week period ended 1 January 2016

1. GENERAL INFORMATION

MWH Treatment 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 2-3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of MWH Constructors Limited. The group accounts of MWH Constructors Limited are available to the public and can be obtained as set out in note 22.

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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101) issued by Financial Reporting Council (FRC) 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 have been restated for the material adjustments on adoption of FRS 101 in the current period. For more information see Note 24 (Transition to FRS 101).

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

- i. The requirement of IFRS 7 Financial Instruments: Disclosures
- ii. The requirement in paragraph 38 of IAS 1 'Presentation of the 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 the Financial Statements
- vi. The requirement 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 Constructors Limited of which the Company's results are included. The financial statements of MWH Constructors Limited are available to the public and can be obtained as set out in note 22.

Reconciliations to Equity from transition to FRS 101 are provided in Note 24 of these financial statements

The financial statements have been prepared on the historical cost convention. In the current period, the financial statements are made up to the Friday nearest the 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)

52 week period ended 1 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

At the balance sheet date, the company had access to intercompany funding with MWH Europe Ltd, which was able to be extended to £10m. This facility was utilised as required to fund short term working capital needs. Since the balance sheet date, the company's ultimate holding company has merged with Stantec Inc. The implication for the company funding requirements, is that the new holding company has access to direct borrowing under the group facility of up to \$800m which can be distributed to the company as required.

The directors have prepared forecasts for a period of at least 12 months from the date of approval of these financial statements. The directors are currently of the opinion that these forecasts and projections, after considering the current economic environment and subjecting them to reasonably robust sensitivities, show that the entities named above should be able to operate within the level of the current facilities and pay their liabilities as they fall due.

As discussed in the Strategic Report, the company has long-term contracts with many UK water companies and continues to look at ways to expand its customer base in both existing and new markets. These existing contracts and growth plans allow management to prepare forecasts for a period of 12 months from the date of signing these accounts. As a consequence, the directors believe that the company is well placed to manage its business risks and working capital cash flows successfully.

As a result of the assessments made, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Basis of preparation

The Company's share of the profits less losses of joint operations is included in the profit and loss account and the Company's share of their net assets is included in the balance sheet.

Revenue Recognition

Revenue represents the amounts receivable for services provided excluding VAT. Revenue, and related costs and profit on short term contracts, being those completed in the same financial year as they commence, is recognised when the contracts are completed. Revenue on long term contracts is the value of work carried out and is recognised as contract activity progresses. Revenue includes the company's share of revenue of joint operations.

Dividend and interest revenue

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

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

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 week period ended 1 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or scrappage of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Plant and machinery are stated at cost less accumulated depreciation and any recognised impairment loss.

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 or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	4% per annum
Plant and machinery	10% - 30% per annum
Fixtures and equipment	10% - 30% per annum

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 week period ended 1 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs within cost of sales and administrative expenses (see note 7) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost.

Net-interest expense or income is recognised within finance costs (see note 10).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Internally generated intangible assets

Internally generated intangible assets (excluding items that are classified as Research and Development) are deemed to have finite useful lives and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives (5 years). 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.

Foreign currency

Monetary assets and liabilities, in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Costs and revenues payable or receivable in foreign currencies and included in forecasts of contract outcome are translated using current exchange rates. Other exchange differences arising in the ordinary course of business are included in the profit and loss account.

Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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 year

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

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.

Revenue recognition

Accounting for revenue involves determining both the total revenue that will be earned on a contract and how and when that revenue should be allocated to specific accounting periods. The revenue recognition process involves considerable use of estimates in determining revenues, costs, and profits, and in assigning the amounts to relevant accounting periods. The process is complicated by the need to evaluate continually the uncertainties inherent in the performance of contracts and by the need to rely on estimates of revenues, costs, and the extent of progress toward completion.

Defined benefit obligation

The cost of defined benefit pensions plans are determined using actuarial valuations. This actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions used are discussed in detail in Note 21.

Impairment of Goodwill and investments in subsidiaries

Determining whether the goodwill balance and investment in subsidiaries are impaired, requires an estimation of the value in use of the relevant cash generating units. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Amounts recoverable on contracts

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

4. REVENUE

All revenues derive from construction contracts in both periods. An analysis of the company's revenue by geographical market is set out below:

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 (restated) £'000
Turnover by destination		
United Kingdom	155,908	144,910
United States of America	229	285
	<u>156,137</u>	<u>145,195</u>

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

5. PROFIT FOR THE FINANCIAL PERIOD

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 (restated) £'000
Profit for the period is stated after charging / (crediting):		
Staff costs (note 7)	26,275	25,342
Net foreign exchange loss	29	-
Amortisation of intangible assets (note 13)	348	267
Depreciation of tangible assets (note 14)	179	289
Gain on sale of tangible assets	(24)	(475)
Fees payable to the company's auditor for the audit of the company's annual accounts	85	73
Fees payable for the audit of subsidiary	25	20
Fees payable to the company's auditor for tax compliance services	-	19
	<u>-</u>	<u>19</u>

6. OTHER OPERATING INCOME

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 £'000
Research and development expenditure credit	<u>1,316</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

7. STAFF COSTS

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 £'000
Wages and salaries	22,275	21,674
Social security costs	2,459	2,457
Other pension costs	1,541	1,211
	<u>26,275</u>	<u>25,342</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

The average number of employees during period, including directors, was as follows:

	52 week period ended 1 January 2016 No	52 week period ended 2 January 2015 No
Administrative	78	115
Management	20	12
Operations	371	383
	<u>469</u>	<u>510</u>

8. DIRECTORS' EMOLUMENTS

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 £'000
For services as executives	565	295
Contributions to defined contribution pension scheme	43	11
	<u>608</u>	<u>306</u>

Four directors are remunerated through the company (52 week period ended 2 January 2015: 2). The other directors are remunerated through other group companies and no recharge is made as it is not practical to do so (52 week period ended 2 January 2015: same).

Retirement benefits accrued during the period for the following number of directors:

	52 week period ended 1 January 2016 No	52 week period ended 2 January 2015 No
Defined benefit scheme	<u>4</u>	<u>2</u>

The emoluments of the highest paid director amounted to £197,000 (52 week period ended 2 January 2015: £229,000) which included £12,000 in respect of contributions to defined contribution pension schemes (52 week period ended 2 January 2015: £8,000). This accrued pension at 1 January 2016 amounted to £101,496 (2 January 2015: £22,521).

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

9. INVESTMENT REVENUE

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 (restated) £'000
Interest receivable:		
Bank deposits	16	26
Interest receivable from group companies	207	214
Total interest revenue	223	240

10. FINANCE COSTS

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 (restated) £'000
Interest payable to group companies	160	-
Interest on bank overdrafts and loans	2	-
Total interest expense	162	-
Net interest expense on defined benefit obligation	577	414
	739	414

11. TAXATION

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 (restated) £'000
Corporation tax		
Current period	(598)	(384)
Adjustments in respect of prior periods	239	(781)
	(359)	(1,165)
Deferred tax (note 15)		
Timing differences, origination and reversal	596	924
Adjustments in respect of prior periods	64	-
Rate change	116	-
Total tax charge / (credit) on profit on ordinary activities	417	(241)

Corporation tax is calculated at 20.24% (2015: 21.48%) of the estimated taxable profit for the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

11. TAXATION (continued)

The charge / (credit) for the period can be reconciled to profit in the income statement as follows:

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 £'000
Profit before tax	551	2,509
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.24% (2015: 21.48%)	112	539
Effects of:		
Non taxable income	(171)	(189)
Expenses not deductible for tax purposes	57	190
Adjustments in respect of prior periods	303	(781)
Rate change	116	-
Tax charge / (credit) for the period	417	(241)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	52 week period ended 1 January 2016 £'000	52 week period ended 2 January 2015 £'000
Deferred tax		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	(783)	1,992

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

12. INVESTMENTS

	1 January 2016 £'000	2 January 2015 £'000
Subsidiary		
Cost and carrying value at beginning and end of period	7,896	7,896

Subsidiary undertaking	Main trading activity	Interest in Company	Country of registration
MWH Farrer Limited	Engineering consultancy and leakage detection	100%	England and Wales

Joint Operations

The company participated in nine joint arrangements during the period.

Joint Operation	Company's share	Principal place of activities	Principal activity
Leslie's	50%	UK	Design/installation of water & sewage treatment plants
Graham's	50%	UK	Design/installation of water & sewage treatment plants
E5	25%	UK	Design/installation of water & sewage treatment plants
Bamford	50%	UK	Design/installation of water & sewage treatment plants
GBM	45%	UK	Design/installation of water & sewage treatment plants
SMB	33%	UK	Design/installation of water & sewage treatment plants
Advance	50%	UK	Design/installation of water & sewage treatment plants
CMDP	50%	UK	Design/installation of water & sewage treatment plants
ESD	33%	UK	Design/installation of water & sewage treatment plants
MBV	50%	UK	Design/installation of waste energy plants
MEPS	50%	UK	Design/manufacture of off-site fabricated products

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

13. INTANGIBLE ASSETS

	Computer software £'000	Assets under construction £'000	Total £'000
	(restated)	(restated)	
Cost			
At 3 January 2014	2,707	-	2,707
Additions	-	1,013	1,013
At 2 January 2015	2,707	1,013	3,720
Additions	1,024	279	1,303
Disposals	(2,184)	-	(2,184)
Transfer	1,292	(1,292)	-
At 1 January 2016	2,839	-	2,839
Accumulated depreciation			
At 3 January 2014	2,431	-	2,431
Charge for the period	267	-	267
At 2 January 2015	2,698	-	2,698
Charge for the period	348	-	348
Eliminated on disposals	(2,184)	-	(2,184)
At 1 January 2016	862	-	862
Carrying amount			
At 1 January 2016	1,977	-	1,977
At 2 January 2015	9	1,013	1,022

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

14. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold property £'000 (restated)	Short leasehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000 (restated)	Total £'000
Cost					
At 3 January 2014	2,300	-	3,597	1,467	7,364
Additions	-	-	-	48	48
Disposals	-	-	(2,823)	(124)	(2,947)
At 2 January 2015	2,300	-	774	1,391	4,465
Additions	-	1,093	-	401	1,494
Reclassified as held for sale	(2,300)	-	-	-	(2,300)
Disposals	-	-	(258)	(679)	(937)
At 1 January 2016	-	1,093	516	1,113	2,722
Accumulated depreciation					
At 3 January 2014	1,425	-	2,760	1,049	5,234
Charge for the period	-	-	112	177	289
Eliminated on disposals	-	-	(2,145)	(119)	(2,264)
At 2 January 2015	1,425	-	727	1,107	3,259
Charge for the period	-	27	19	133	179
Eliminated on disposals	-	-	(156)	(679)	(835)
On assets reclassified as held for sale	(1,425)	-	-	-	(1,425)
Transfer	-	-	(158)	158	-
At 1 January 2016	-	27	432	719	1,178
Carrying amount					
At 1 January 2016	-	1,066	84	394	1,544
At 2 January 2015	875	-	47	284	1,206

On 1st July 2016 the company exchanged and completed contracts on the sale of the land and buildings included above. Upon conversion to FRS 101 the land and buildings were impaired to this agreed sales price. Prior to the period end, the land and building were no longer used in the business as a result the asset was transferred to current assets to reflect this.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

15. DEFERRED TAX ASSET

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation	Tax losses	Short term timing differences	Retirement benefit obligations	Total
	£'000	£'000	£'000	£'000	£'000
At 4 January 2014	511	502	155	2,120	3,288
Credit to profit and loss	58	(249)	(99)	(634)	(924)
Charge to other comprehensive income	-	-	-	1,992	1,992
At 2 January 2015	569	253	56	3,478	4,356
Charge to profit and loss	(182)	(25)	(9)	(560)	(776)
Charge to other comprehensive income	-	-	-	(783)	(783)
At 1 January 2016	387	228	47	2,135	2,797

16. INVENTORIES

	1 January 2016 £'000	2 January 2015 £'000
Raw materials and consumables	184	111

The cost of inventories recognised is an expense during the period in respect of continuing operations was £394,000 (2015 - £421,000).

17. TRADE AND OTHER RECEIVABLES

	1 January 2016 £'000	2 January 2015 (restated) £'000
Trade receivables	15,915	12,728
Amounts owed by group undertakings	14,230	15,673
Amounts recoverable on contracts	30,764	31,155
Other receivables	6,256	3,063
Prepayments	2,304	2,169
	69,469	64,788

Within amounts owned by group undertakings is a £6,914,000 (2015: £6,914,000) loan to MWH Constructors Limited, which attracts interest of 3% per annum (52 week period ended 2 January 2015: 3%). This loan is unsecured and is repayable on demand.

The average credit period taken on sales of goods is 32 days.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

18. TRADE AND OTHER PAYABLES

	1 January 2016 £'000	2 January 2015 (restated) £'000
Payments on account	5,631	11,841
Trade payables	12,310	14,706
Amounts owed to group undertakings	9,085	352
Contract loss provisions	164	44
Other payables	10,591	1,572
Other taxation and social security	721	1,027
Accruals	24,191	25,599
	<u>62,693</u>	<u>55,141</u>

Within amounts owed to group undertakings are a £8,200,000 (2015: £Nil) loans from MWH UK Limited, MWH Europe and Innovyze, which attracts interest of 2% per annum (52 week period ended 2 January 2015: N/a). These loans are unsecured and are repayable on demand.

The average credit period taken for trade purchases is 71 days.

19. SHARE CAPITAL

	1 January 2016 £'000	2 January 2015 £'000
Issued, allotted and fully paid 3,500,000 ordinary shares of £1.00 each	<u>3,500</u>	<u>3,500</u>

20. OPERATING LEASE ARRANGEMENTS

The Company as lessee

	1 January 2016 £'000	2 January 2015 £'000
Lease payments under operating leases recognised as an expense in the period:		
Land and buildings	105	88
Other	1,287	1,399
	<u>1,392</u>	<u>1,487</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

20. OPERATING LEASE ARRANGEMENTS (continued)

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	Other	Land and Buildings	Other
	1 January 2016	1 January 2016	2 January 2015 (restated)	2 January 2015 (restated)
	£'000	£'000	£'000	£'000
Within one year	36	922	68	1,406
In the second to fifth years inclusive	1,376	1,191	39	1,424
After five years	1,863	-	-	-
	<u>3,275</u>	<u>2,113</u>	<u>107</u>	<u>2,830</u>

Operating lease payments represent rentals payable by the company for certain of its office properties.

21. RETIREMENT BENEFIT SCHEMES

The employees of MWH Treatment Limited and MWH Farrer Limited participate in a scheme known as the MWH UK Limited Pension and Life Assurance Plan.

The latest actuarial valuation of the MWH Treatment section of the MWH UK Limited Pension and Life Assurance Plan, performed by an independent, external actuary, was made on 31 March 2014 using the projected unit method. The principal assumption adopted in the valuation was that the returns on investment pre-retirement and post-retirement would be 5.9% p.a. and 4.9% p.a. respectively. The asset valuation assumption was market value.

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

On this basis, at the valuation date, the actuarial value of the assets of the MWH Treatment defined benefit section of the MWH Plan was £36.2 million, which was sufficient to cover 60 per cent of the value of benefits that had accrued to members. Contributions are being paid by the MWH Treatment defined benefit section at the rate of 21.50% of payroll, which includes an allowance for expenses and Pension Protection Fund levies.

Since 1 April 2003, MWH Treatment Limited has had Defined Contribution pension arrangements for the employees of the company. The assets of this Defined Contribution scheme are held separately from those of the company in an independently administered fund. Contributions, which vary depending on each member's age, to the Defined Contribution scheme are charged in the profit and loss account in the period in which they are made. With effect from 1 April 2003, each participating employer paid age-related contributions in respect of the defined contribution scheme. The charge for the period was £852,000 (52 week period ended 2 January 2015: £836,000). There were no unpaid contributions to the Defined Contribution scheme at 1 January 2016 (2 January 2015: £ nil).

The full actuarial valuation of 31 March 2014 has been updated at 1 January 2016 to take account of the requirements of IAS 19R in order to assess the valuation of the scheme as at 1 January 2016. Scheme assets are stated at their market values at 1 January 2016. The company accounts for its share of the IAS 19R funding deficit based on an actuarially determined allocation of the total funding deficit among the participating employers.

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

21. RETIREMENT BENEFIT SCHEMES (continued)

The amounts recognised in the balance sheet are as follows:

	1 January 2016	2 January 2015 (restated)
	£'000	£'000
Present value of defined benefit obligations	(77,559)	(81,711)
Fair value of scheme assets	65,695	64,320
Deficit in the scheme	<u>(11,864)</u>	<u>(17,391)</u>

The amounts recognised in the profit and loss are as follows:

Analysis of amounts recognised in statement of total recognised gains and losses:	1 January 2016	2 January 2015 (restated)
	£'000	£'000
Actuarial gains / (losses) on the assets and liabilities	<u>3,176</u>	<u>(9,959)</u>
Cumulative amount of losses recognised in the statement of comprehensive income	<u>(18,884)</u>	<u>(22,060)</u>

	1 January 2016	2 January 2015 (restated)
	£'000	£'000
Expected return on pension scheme assets	(2,335)	(2,629)
Interest on pension scheme liabilities	2,912	3,043
Net pension scheme finance cost (note 10)	<u>577</u>	<u>414</u>
Current service cost	425	375
Past service cost	<u>264</u>	<u>-</u>
	<u>1,266</u>	<u>789</u>

Reconciliation of change in defined benefit obligation:

	1 January 2016	2 January 2015 (restated)
	£'000	£'000
Opening defined benefit obligation	81,711	66,882
Interest on obligation	2,912	3,043
Actuarial (gains) / losses	(5,652)	13,247
Past service costs	264	-
Benefits paid	<u>(1,676)</u>	<u>(1,461)</u>
Closing defined benefit obligation	<u>77,559</u>	<u>81,711</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

21. RETIREMENT BENEFIT SCHEMES (continued)

Reconciliation of change in plan assets:

	1 January 2016	2 January 2015 (restated)
	£'000	£'000
Fair value of plan assets at start of accounting period	64,320	56,280
Expected return on scheme assets	2,335	2,629
Contributions by employer	3,617	3,959
Actuarial (losses) / gains	(2,476)	3,288
Benefits paid	(1,676)	(1,461)
Administration expenses paid	(425)	(375)
	<u>65,695</u>	<u>64,320</u>
Fair value of plan assets at the end of the accounting period	<u>65,695</u>	<u>64,320</u>

The company expects to contribute £3.8m (2015: £4.0m) to the main scheme in the forthcoming financial period.

The fair value of the assets held and the expected rates of return at the balance sheet date were:

	Expected rate of return 2015	Value at 2015 £'000	Expected rate of return 2014	Value at 2014 £'000
Equities and property	6.36%	52,524	6.18%	32,331
Corporate bonds	3.43%	10,517	3.15%	29,178
Cash	0.50%	2,654	0.50%	2,811
	<u>5.50%</u>	<u>65,695</u>	<u>5.00%</u>	<u>64,320</u>

The overall expected return assumption is calculated as the weighted average of the individual expected return assumptions for each of the major asset classes. The individual return assumptions are based on investment market conditions in the UK, specifically with regard to yields on UK Government gilts, high quality AA rated corporate bonds, and interest rates set by the Bank of England.

Equity returns in well-established global markets are generally expected to outperform the return on gilts by 3% per annum or more in the long term and such anticipated outperformance has been taken into account in deriving the expected return from equity type investments.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

21. RETIREMENT BENEFIT SCHEMES (continued)

The principle actuarial assumptions at the balance sheet date were:

	1 January 2016	2 January 2015
Discount rate	3.90%	3.60%
Inflation	2.70%	2.75%
Rate of increase of salaries	5.00%	5.00%
Rate of increase for pensions in payment post April 1997	3.70%	3.70%

Mortality assumptions

The mortality assumptions adopted imply the following life expectancies at age 65.

	Valuation at	
	1 January 2016 Years	2 January 2015 Years
Retiring today:		
Males	22	22
Females	24	24
Retiring in 25 years:		
Males	24	24
Females	26	26

Amounts for the current and previous four periods for the Schemes are as follows:

	1 January 2016 £'000	2 January 2015 (restated) £'000	3 January 2014 £'000
Present value of defined benefit obligations	(77,559)	(81,711)	(66,882)
Fair value of scheme assets	65,695	64,320	56,280
Deficit in the scheme	(11,864)	(17,391)	(10,602)
Experience adjustments on scheme liabilities			
Amount	1,122	(297)	138
Percentage of present value of scheme liabilities	1.45%	(0.36%)	0.21%
Experience adjustments on scheme assets			
Present value of defined benefit obligations	(2,476)	3,288	1,293
Fair value of scheme assets	(3.77%)	5.11%	2.30%

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

22. ULTIMATE HOLDING COMPANY

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

Refer to Note 23 for details of a subsequent change in ownership.

The company's immediate parent undertaking is MWH Limited and the smallest group company in which its results are consolidated is MWH Constructors Ltd (immediate parent of MWH Limited), both are incorporated in Great Britain. MWH Constructors Ltd produces consolidated financial statements which are available to the public, on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

23. SUBSEQUENT EVENTS

On 6 May 2016, MWH Global Inc., the ultimate parent Company of MWH Treatment Limited, 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.

24. TRANSITION TO FRS 101

This is the first period 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 2014	At 2 January 2015 £'000
Equity reported under previous UK GAAP	19,435	13,478
Adjustments to equity on transition to FRS 101		
Impairment of land & buildings	(958)	(343)
Write back of depreciation on land & buildings	-	68
Adjustment in respect of deferred taxation on provision	-	57
Equity reported under FRS 101	18,477	13,260

Reconciliation of total comprehensive income for the period

	52 week period ended 2 January 2015 £'000
Total comprehensive income for the period under previous UK GAAP	(5,957)
Write back impairment of land & buildings	615
Write back of depreciation on land & buildings	68
Adjustment in respect of deferred taxation on provision	57
Total comprehensive income for the period under FRS 101	(5,217)

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

24. TRANSITION TO FRS 101 (continued)

Reconciliation of Balance Sheet as at 2 January 2015

	As previously stated for UK GAAP 2015 £'000	Effect of transition £'000	FRS 101 (as restated) 2015 £'000
NON-CURRENT ASSETS			
Equities and property	7,896	-	7,896
Other intangible assets	-	1,022 ¹	1,022
Property, plant and equipment	2,503	(1,297) ²	1,206
Deferred taxation	-	4,356 ³	4,356
	<u>10,399</u>	<u>4,081</u>	<u>14,480</u>
CURRENT ASSETS			
Inventories	110	1	111
Trade and other receivables	64,056	732 ⁴	64,788
Current tax assets	-	168 ⁵	168
Cash and bank balances	6,244	1	6,245
	<u>70,410</u>	<u>902</u>	<u>71,312</u>
CURRENT LIABILITIES			
Trade and other payables	(53,418)	(1,723) ⁶	(55,141)
NON-CURRENT LIABILITIES			
Retirement benefit obligations	(13,913)	(3,478) ⁷	(17,391)
NET ASSETS	<u>13,478</u>	<u>(218)</u>	<u>13,260</u>
EQUITY			
Share capital	3,500	-	3,500
Retained earnings	9,978	(218)	9,760
TOTAL EQUITY	<u>13,478</u>	<u>(218)</u>	<u>13,260</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
52 week period ended 1 January 2016

24. TRANSITION TO FRS 101 (continued)

Notes to revised balance sheet at 2 January 2015

- 1 Intangible assets**
Under FRS 101, computer software costs are recognised as intangible assets, rather than property, plant and equipment, and amortised over their useful economic life.
- 2 Property, plant and equipment**
The property at Heywood was impaired down to its realisable value upon conversion to FRS 101 and the computer software was transferred to other intangible assets.
- 3 Deferred taxation**
Upon conversion to FRS 101 Deferred tax assets have been reclassified as non-current assets and deferred tax asset on retirement benefit obligations of £3.478m previously set-off against the asset is now transferred to non-current assets.
- 4 Trade and other receivables**
The net impact upon conversion to FRS 101 to show all deferred tax assets in non-current assets, the separation out of the current tax asset and the inclusion of the assets and liabilities of a joint operation previously equity accounted.
- 5 Current tax asset**
Upon conversion, it is a requirement to disclose all current tax assets on the face on the balance sheet
- 6 Trade and other payables**
As disclosed above in note 4, impact of inclusion of joint operation.
- 7 Retirement benefit obligations**
Under IAS 19R: Employee Benefits, the full liability has been recognised at the period end.