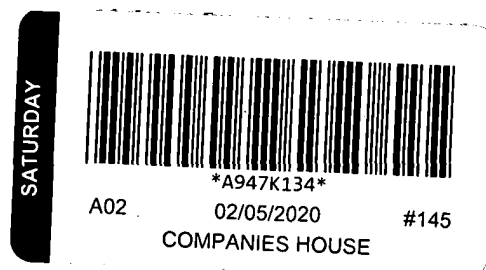


MWH TREATMENT LIMITED

Report and Financial Statements

For the year ended 31 December 2019



**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2019**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B M Lavoie
J Lee
P J Bresnan

COMPANY SECRETARY

D McLurgh

REGISTERED OFFICE

Soapworks
Colgate Lane
Salford
M5 3LZ

BANKERS

HSBC
2 King Edward Street
London
EC1A 1HQ

AUDITOR

Crowe UK LLP
3rd Floor, The Lexicon
Mount Street
Manchester
M2 5NT

STRATEGIC REPORT

The directors present the Strategic Report for MWH Treatment Limited (“MWH” or the “Company”). In preparing this they have complied with S414C of the Companies Act 2006.

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 is a leading entity in the water industry offering design and construction services for water authorities across the UK. The company is party to 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.

The Company continued to build on its reputation within the Water sector returning positive results that exceeded forecasts. The Operating Profit for the year was £3.6m. This Operating Profit does not include the result of the subsidiary MWH Farrer Ltd which reported an Operating Profit of £2.8m, bringing the combined Operating Profit for the Water business for the financial year to £6.4m (2018 £5.0m).

The Directors believe that MWH Treatment Limited and its subsidiaries are very well placed to meet the challenges of the business and remain committed to serving its clients in the water sector. In 2019 the company was successful in renewing five of its six UK frameworks and is working towards maintaining its presence with the final client for another five years. It consequently has a very strong orderbook and is able to plan for the future with confidence.

The directors monitor the business performance using a number of financial performance indicators including monitoring results against a detailed annual budget for the income statement and balance sheet. 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.

The year to date operating Profit to March 2020 for MWH Treatment and its subsidiary MWH Farrer Ltd is profitable and ahead of expectations. The directors have also reviewed the forecast Income Statement extending to December 2021 and are confident of sustaining profitable performance. The related cashflow forecasts indicate that the shared group banking facilities in place of USD 70m are unlikely to be required by MWH Treatment over the next 12 months.

For comparison purposes, the income statement includes 2018 losses incurred on discontinued operations which were incurred in the Waste and Energy sector. The company no longer operates within the Waste and Energy sector and as a legal condition of the disposal by Stantec Inc of the MWH Group on 2nd November 2018, MWH Treatment Ltd was indemnified against liability for all future costs associated with these projects by Stantec Inc. There have been no losses reported in 2019.

In Note 26 reference is also made to Discontinuing Operations in 2018 which concerned the closure of a Joint Venture for offsite manufacture and assembly. As with W&E projects, there were no further losses incurred and the remaining projects have been closed out without any further financial impact. MWH Treatment remains focused on the Water sector and continues to grow in terms of revenue of profit.

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.

Commercial 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 authorities in the UK. Consequently, the company benefits from a large order book to facilitate a strong platform for growth. However, it is acknowledged that water sector clients are very price driven and require highly efficient project delivery. The company continues to provide innovative solutions to assist its clients in meeting the challenges faced.

The company has experienced significant challenges in the Waste & Energy sector as mentioned earlier but these risks have now been fully mitigated by agreeing final accounts and transferring all liabilities under the projects to Stantec Inc, the former ultimate owner. The Directors of the company have no plans to re-enter this market.

STRATEGIC REPORT**PRINCIPAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****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.

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. The company has no extended debt and is not exposed to interest market risks

Interest rate risk

The Company has no external debt and is not exposed to interest rate market risks.

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, clients, joint arrangement partners and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are the people who work for us, our clients and those in the supply chain with whom we engage, our owners, joint arrangement partners, regulatory bodies and those that live in the societies within which we operate. The Directors recognise that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way. We are committed to doing business responsibly and thinking for the long term.

The Directors regularly receive reports from management on issues concerning clients, the environment, suppliers, employees, joint operation partners and other stakeholders which it takes into account in its discussions and in its decision-making process under section 172.

Employees

Directors receive monthly updates on various staff metrics. The Directors are committed to the Group's People Plan that includes promoting a healthy workforce with focus on mental health and wellbeing, developing a culture of inclusion, ensuring training and development opportunities are provided and keeping staff informed of key issues through our communications network. We look to attract and retain staff via our recruitment and development strategies.

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.

STRATEGIC REPORT

SECTION 172(1) STATEMENT (Continued)

Clients

As well as the Directors receiving updates from senior management on the Company's interaction with clients, members of the Board of Directors regularly meet client representatives to maintain relationships and understand the specific needs of the client.

Suppliers

We have consistent standards and procedures for the onboarding and use of external suppliers. We require suppliers to meet our compliance and financial stability requirements, as well as to meet our requirements around health and safety where appropriate. Payment on time is of paramount importance, and we are a member of the Prompt Payment Code in the UK.

Joint arrangement partners

A member of the senior management team is a member of the board for each of our joint arrangements. All key decisions taken at joint arrangement board level are aligned with the objectives of our joint arrangement partners and all significant decisions are discussed with the Company's Directors prior to final approval.

Community and the environment

We continue to embed community and volunteering within our business, supporting local communities and larger charities.

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.

GOING CONCERN

As detailed above and in note 2, the directors have reviewed financial forecasts and considered the general economic position of the Water sector and continuing future contracts. Based upon this review, they consider that the company will be profitable and be in a position to finance its operations and meet its financial obligations as they fall due for the foreseeable future.

At the time of approval of the financial statements, a novel strain of coronavirus (COVID19) has been designated a global pandemic by the World Health Organisation. At the time of writing the company continued to work on all construction sites in England and had been granted key-worker status with all clients. However, sites in Scotland have been temporarily closed by the client and a number of staff have been furloughed until the client allows construction to recommence. 75% of the company's revenue is earned in England and MWH do not anticipate a disproportionate reduction in the company's financial performance. The company is forecasting to continue operating as a profitable and sustainable business.

However, the company acknowledges that the coronavirus (or any other disease or epidemic) can impact results due to potential supply chain disruption, labour shortages and productivity challenges. So far these have been addressed by MWH in its COVID-19 mitigation plans.

The Directors have undertaken planning and forecasting and will continue to closely monitor the developing situation. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the virus. However, given that the company has successfully negotiated the first month of movement and working restrictions they consider that the company is well placed to deal with the challenges ahead.

STRATEGIC REPORT

GOING CONCERN (Continued)

The directors believe therefore that the company's financial resources and contingency planning is sufficient to ensure the ability of the company to continue as a going concern for the foreseeable future, being at least twelve months from the date of approval of these financial statements. They have consequently prepared the financial statements on the going concern basis.

By order of the Board



P J Bresnan

Director

28 April 2020

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year was £8.1m (2018 loss: £9.0m). The directors do not recommend the payment of any dividends (2018: £nil).

DIRECTORS

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

B M Lavoie
J Lee
P J Bresnan

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 5 which are included in this report by reference.

EMPLOYEES

Information as to how the directors have engaged with employees and had regard to employee interests is outlined in the Strategic Report on pages 2 to 5 which are included in this report by reference.

OTHER KEY STAKEHOLDERS

The company's business relationships with suppliers, customers and others, and the effect of that regard, is outlined in the Strategic Report on pages 2 to 5 which are included in this report by reference.

AUDITORS

Each of the persons who are directors 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 auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Crowe UK 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.

By order of the Board



P J Bresnan

Director

28 April 2020

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 AUDITORS' REPORT TO THE MEMBERS OF MWH TREATMENT LIMITED

Opinion

We have audited the financial statements of MWH Treatment Limited (the "Company") for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (UK Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MWH TREATMENT LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Michael Jayson (Senior statutory auditor)
for and on behalf of Crowe U.K. LLP, Statutory Auditor, Manchester
28 April 2020

INCOME STATEMENT**Year ended 31 December 2019**

		Total	Continuing	Discontinued	Total
	Note	2019	operations	operations	2018
		£'000	2018	2018	£'000
			£'000	£'000	
Revenue	4	223,246	202,022	4,705	206,727
Cost of sales		(210,490)	(192,978)	(16,652)	(209,630)
GROSS PROFIT / (LOSS)		12,756	9,044	(11,947)	(2,903)
Administrative expenses		(9,179)	(8,477)	(3,049)	(11,526)
Other operating income	6	-	350	-	350
OPERATING PROFIT / (LOSS)		3,577	917	(14,996)	(14,079)
Investment revenue	9	2,722			3,826
Finance costs	10	(204)			(100)
PROFIT / (LOSS) BEFORE TAX	5	6,095			(10,353)
Tax on profit / (loss)	11	1,998			1,311
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		8,093			(9,042)

All activities derive from continuing activities in the current period.

The notes on pages 14 to 31 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit / (Loss) for the year		8,093	(9,042)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)		-	(4,826)
Income tax credit relating to items that will not be reclassified subsequently to profit or loss		-	820
Other comprehensive (expense) for the year net of tax		-	(4,006)
Total comprehensive income / (expense) for the year attributable to the owners of the Company		8,093	(13,048)

BALANCE SHEET
As at 31 December 2019

	Note	2019 £'000	2018 £'000
NON-CURRENT ASSETS			
Investments	12	7,896	7,896
Intangible assets	13	106	573
Property, plant and equipment	14	2,606	1,415
Right-of-use assets	15	1,825	-
Deferred tax asset	16	6,409	4,914
		<u>18,842</u>	<u>14,798</u>
CURRENT ASSETS			
Inventories	17	91	62
Trade and other receivables	18	61,976	47,762
Current tax assets		273	239
Cash and bank balances		40,734	48,046
		<u>103,074</u>	<u>96,109</u>
TOTAL ASSETS		<u>121,916</u>	<u>110,907</u>
CURRENT LIABILITIES			
Trade and other payables	19	(90,613)	(89,923)
NET CURRENT ASSETS		<u>12,461</u>	<u>6,186</u>
NON-CURRENT LIABILITIES			
Trade and other payables	20	(3,323)	(878)
TOTAL LIABILITIES		<u>(93,936)</u>	<u>(90,801)</u>
NET ASSETS		<u>27,980</u>	<u>20,106</u>
EQUITY			
Share capital	21	4,851	4,851
Share premium	22	24,559	24,559
Capital contribution reserve		4,000	4,000
Retained earnings deficit		(5,430)	(13,304)
TOTAL EQUITY		<u>27,980</u>	<u>20,106</u>

The notes on pages 14 to 31 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 28 April 2020.

Signed on behalf of the Board of Directors

P J Bresnan

P J Bresnan

Director

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2019

	Note	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2018		<u>3,500</u>	<u>3,000</u>	<u>4,000</u>	<u>(256)</u>	<u>10,244</u>
Loss for the year ended 31 December 2018		-	-	-	(9,042)	(9,042)
Share issue in the year		1,351	21,559	-	-	22,910
Other comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,006)</u>	<u>(4,006)</u>
Total comprehensive income / (expense) for the year		<u>1,351</u>	<u>21,559</u>	<u>-</u>	<u>(13,048)</u>	<u>9,862</u>
Balance at 31 December 2018		<u>4,851</u>	<u>24,559</u>	<u>4,000</u>	<u>(13,304)</u>	<u>20,106</u>
Profit for the year ended 31 December 2019		-	-	-	8,093	8,093
Adjustment on the adoption of IFRS 16	25	<u>-</u>	<u>-</u>	<u>-</u>	<u>(219)</u>	<u>(219)</u>
Total comprehensive income / (expense) for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>7,874</u>	<u>7,874</u>
Balance at 31 December 2019		<u><u>4,851</u></u>	<u><u>24,559</u></u>	<u><u>4,000</u></u>	<u><u>(5,430)</u></u>	<u><u>27,980</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

1. GENERAL INFORMATION

MWH Treatment Limited is a private company limited by shares and registered in England and Wales (registered no. 01535477). 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 2-5.

These financial statements are presented in GBP (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, as its results are consolidated within the financial statements of the parent, MWH UK Acquisitions Limited.

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, the Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101) issued by the 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.

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), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 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.
- vii. The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- viii. the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15.

Where relevant, equivalent disclosures have been given in the group accounts of MWH Acquisitions Limited in which the Company's results are included. The financial statements of MWH Acquisitions Limited are available to the public and can be obtained as set out in note 24.

The financial statements have been prepared under the historical cost convention.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of new financial reporting standards

The impact of new standards effective from 1 January 2019;

IFRS 16 Leases

IFRS 16 Leases became effective on 1 January 2019 and has changed how the Company accounts for its lease contracts. The company leases its Head Office building and also leases vehicles, laptops and other office equipment. Prior to the adoption of IFRS 16, certain lease contracts were classified as operating leases. IFRS 16 requires all contracts that contain a lease to be recognised on the balance sheet as a right-of-use asset and lease liability. Only certain short-term and low-value leases are exempt.

The right-of-use asset is depreciated over the lease term and is subject to impairment testing. The lease liability represents the net present value of the lease payments to be made over the remaining lease period.

The company has implemented IFRS16 using a modified retrospective method with the cumulative impact recognised within retained earnings on 1 January 2019. Comparative figures are not restated. IFRS 16 Leases replaced former leasing guidance, including IAS 17 Leases and IFRIC 4, SIC 15 and SIC 27.

The company has elected to use the recognition exemptions in the standard for short-term leases and leases of low value items such as computers and office equipment. The company also applied the recognition exemption for leases that expire in 2019 which in the main relate to motor vehicle leases.

The impact upon the financial statements of adopting IFRS 16 is detailed in note 25.

The application of the other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements. These are:

Standard or interpretation	Effective for annual periods commencing on or after
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

Going concern

The company's business activities, together with the principal risks, uncertainties and other factors likely to affect its future development, performance and position are set out in the business review and principal risk management objectives and policies above.

The balance sheet on page 12 shows net current assets of £11.2m (2018 £6.2m), including cash at bank £40.7m (2018 £48.0m). As detailed in the Strategic Report, the company and its parent are party to stable, long-term contractual arrangements with many UK Water Authorities.

At the time of approval of the financial statements, a novel strain of coronavirus (COVID19) has been designated a global pandemic by the World Health Organisation. At the time of writing the company continued to work on all construction sites in England and had been granted key-worker status with all clients. However, sites in Scotland have been temporarily closed by the client and a number of staff have been furloughed until the client allows construction to recommence. 75% of the company's revenue is earned in England and MWH do not anticipate a disproportionate reduction in the company's financial performance. The company is forecasting to continue operating as a profitable and sustainable business.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

However, the company acknowledges that the coronavirus (or any other disease or epidemic) can impact results due to potential supply chain disruption, labour shortages and productivity challenges. So far these have been addressed by MWH in its COVID-19 mitigation plans.

The Directors have undertaken planning and forecasting and will continue to closely monitor the developing situation. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the virus. However, given that the company has successfully negotiated the first month of movement and working restrictions they consider that the company is well placed to deal with the challenges ahead.

The directors have reviewed forecasts for a period extending at least 12 months from the date of approval of these financial statements. On the basis of this review, taking into account the general economic position of the Water sector, recent developments in regards to COVID19 and continuing future contracts, they consider that the company will remain profitable and be in a position to finance its operations and meet its financial obligations as they fall due for the foreseeable future.

In addition

- the company has access to funding via a group credit line facility with CIBC bank (see note 28). It has not been necessary for the Company to utilise this facility at all during the financial year and, on the basis of the projections, the Directors consider that this is unlikely to be required by the Company at any time during the forthcoming year.
- The Directors have received assurances from the ultimate parent Group, Oaktree Power Opportunities Fund V, L.P that they will receive support as required and ensure the Company has the means to meet liabilities as they fall due.

As a consequence, the directors believe that the company is well placed to manage its business risks and working capital cash flows successfully. 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 are included in the income statement and the share of net assets in the balance sheet.

Revenue Recognition

The Company is engaged in the design and installation of water and sewage treatment plants. Most projects are conducted by the company for Water Authorities as a party to joint arrangements or as an independent supplier. Design and construction projects are usually long term, extending potentially over several reporting periods. Maintenance contracts are varied.

Irrespective of the category of contract, revenue is recognised as the fair value of services provided. The company recognises revenue as contractual performance obligations are satisfied. The definition of service delivery and the amount of time taken to complete can vary between different contracts, however in principle revenue is recognised based upon completeness in relation to cost, by comparing costs to date and total anticipated service delivery costs.

Reported revenue includes the company's share of the revenue of joint operations.

Variable consideration includes to specific revenue allocated to the achievement of specific project performance obligations. Where circumstances result in anticipated problems in delivering performance obligations or anticipated costs as a result of non-delivery, management are required to evaluate and re-assess the expected final outcome.

Variable consideration adjustments are necessary to amend revenue recognised to date and provisions are made for losses as soon as they are foreseen.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend and interest income

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

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

Property, plant and equipment

Short leasehold property improvements are capitalised at cost. Depreciation is charged over the lease term. Other fixed assets 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 less their residual values over their useful lives, using the straight-line method, on the following bases:

Short leasehold	Over the lease term (10 yrs)
Plant and machinery	10% - 30% per annum
Fixtures and equipment	10% - 30% per annum
Right of use assets	
Land & buildings	Over the lease term (10 yrs)
Motor vehicles	25% 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 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.

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.

Amounts recoverable on contracts

Depending upon the terms of individual contracts and the conditions to be satisfied for entitlement to payments for services, there is potentially no connection between the timing of satisfaction of performance obligations (and recognition of revenue) and the receipt of progress payments.

Included in receivables, work in progress, amounts recoverable on contracts is stated on a contract by contract basis at cost plus attributable profit. Excess progress payments are included in creditors as payments on account. Long-term contract profit is recognised on the same basis as revenue, as performance obligations are satisfied and if the final outcome can be assessed with reasonable certainty. Turnover and related costs are recorded as contract activity progresses. Full provision is made for losses on all contracts in the year in which such losses are first foreseen.

Retirement benefit costs

Certain employees of the Company are member of the MWH UK Limited Pension and Life Assurance Plan, a defined benefit pension scheme. Following the transfer of ownership of MWH Group on 2 November 2018, responsibility for future funding and the entire administration of the defined benefit scheme transferred to the former parent, Stantec Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs (continued)

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.

The cost of providing benefits was determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period and at the transfer date. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) were recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occurred. Remeasurement recorded in the statement of comprehensive income was not recycled. Past service cost was recognised in profit or loss in the period of scheme amendment. Net-interest was calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs were 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 Company presented the first two components of defined benefit costs within cost of sales and administrative expenses (see note 7) in its income statement. Curtailments gains and losses were accounted for as past-service cost.

Net-interest expense or income was recognised within finance income or costs (see notes 9 and 10).

The retirement benefit obligation recognised in the balance sheet represented the deficit or surplus in the scheme.

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.

Right-of-use assets and lease liabilities

The Company recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the estimated useful lives.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use assets and lease liabilities (continued)

The lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Company's incremental borrowing rate or the rate implicit in the lease contract.

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)
Year ended 31 December 2019

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

The contractual relationships with Water Authorities are varied and revenue is earned on different bases; some on performance to date compared to forecasts, and others on an individual project basis. Therefore recognition of 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.

Impairment of investments in subsidiaries

Determining whether the investment in its subsidiary is 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 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 performance obligations completed by the accounting date. Judgements may be required to estimate completion. Where losses on contracts are expected, judgements relating to variable consideration and provisions may be necessary for the estimated losses to the end of contracts in question. This involves continual re-evaluation of likely contract outcomes and judgements in calculating "end of life" estimates.

Recognition of deferred tax asset

Deferred tax assets arising from tax net operating losses are recognised to the extent that they are likely to be utilised over the next 5 years. Given the 5 year AMP cycles within which the Company operates it is considered that recognition over this period is appropriate given the visibility of the forecast of future work that the Company is able to ascertain.

4. REVENUE

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

	2019 £'000	2018 £'000
Turnover by destination		
United Kingdom	222,922	206,652
United States of America	324	75
	<u>223,246</u>	<u>206,727</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

5. PROFIT / LOSS FOR THE FINANCIAL PERIOD

	2019	2018
	£'000	£'000
Profit / Loss for the period is stated after charging:		
Staff costs (note 7)	28,801	32,638
Net foreign exchange (profit) / loss	(723)	24
Amortisation of intangible assets (note 13)	467	466
Depreciation of tangible assets (note 14)	396	257
Depreciation of right-of-use asset (note 15)	678	-
Loss on disposal of fixed assets	6	-
Fees payable to the company's auditor for the audit of the annual accounts	96	94
Fees payable for the audit of subsidiary	19	19
Fees payable to the company's auditor for tax compliance services	13	12
	<u>28,801</u>	<u>32,638</u>

6. OTHER GAINS AND LOSSES

	2019	2018
	£'000	£'000
Research and development expenditure credit	-	350
	<u>-</u>	<u>350</u>

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

7. STAFF COSTS

	2019	2018
	£'000	£'000
Wages and salaries	24,820	28,060
Social security costs	2,813	3,005
Other pension costs	1,168	1,573
	<u>28,801</u>	<u>32,638</u>

'Other pension costs' include both contributions to the defined contribution pension scheme and the administrative costs of the defined benefit pension scheme. The interest costs in relation to the defined benefit pension scheme are excluded from the above and are disclosed within notes 9 and 10 of the financial statements.

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

	2019	2018
	No	No
Administrative	76	72
Management	21	22
Operations	393	463
	<u>490</u>	<u>557</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

8. DIRECTORS' EMOLUMENTS

	2019	2018
	£'000	£'000
For services as executives	328	325
Contributions to defined contribution pension scheme	20	18
	<u>348</u>	<u>343</u>

One director is remunerated through the company (2018: 1). The other directors are remunerated through other group companies and no recharge is made as it is not practical to do so (2018: same).

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

	2019	2018
	No	No
Defined contribution scheme	<u>1</u>	<u>1</u>

The emoluments of the highest paid director amounted to £348,000 (2018: £343,000) which included £20,000 in respect of contributions to defined contribution pension schemes (2018: £18,000).

9. INVESTMENT REVENUE

	2019	2018
	£'000	£'000
Dividends receivable from subsidiary	2,500	3,500
Interest receivable:		
Bank deposits	174	33
Other interest	-	1
Net interest expense on defined benefit obligation	-	201
Interest receivable from group companies	48	91
	<u>2,722</u>	<u>3,826</u>
Total investment revenue	<u>2,722</u>	<u>3,826</u>

10. FINANCE COSTS

	2019	2018
	£'000	£'000
Lease interest	36	-
Lease interest – Right-of-use asset	168	-
Interest payable to group companies	-	100
	<u>204</u>	<u>100</u>
Total interest expense	<u>204</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

11. TAXATION

	2019	2018
	£'000	£'000
Corporation tax		
Tax on profit / (loss) for the year	(508)	(495)
Adjustments in respect of prior periods	5	743
	<u>(503)</u>	<u>248</u>
Deferred tax (note 16)		
Origination and reversal of timing differences	(1,484)	(938)
Adjustments in respect of prior periods	(11)	(621)
	<u>(1,495)</u>	<u>(1,559)</u>
Total tax credit	<u><u>(1,998)</u></u>	<u><u>(1,311)</u></u>

Corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated taxable loss for the period.

The credit for the year can be reconciled to loss in the income statement as follows:

	2019	2018
	£'000	£'000
Profit / (Loss) before tax	<u>6,095</u>	<u>(10,353)</u>
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,158	(1,967)
Effects of:		
Expenses not deductible for tax purposes	(12)	334
Non taxable income	(475)	(665)
Deferred tax credit from extending the recognition of deferred tax on losses	(2,663)	-
Deferred tax not recognised	-	865
Adjustments in respect of prior periods	(6)	122
	<u>(1,998)</u>	<u>(1,311)</u>
Tax credit for the year	<u><u>(1,998)</u></u>	<u><u>(1,311)</u></u>

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

	2019	2018
	£'000	£'000
Deferred tax		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	-	821
	<u>-</u>	<u>821</u>
Total	<u><u>-</u></u>	<u><u>821</u></u>

Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% from 1 April 2020. Accordingly, deferred tax balances have been recognised at the enacted rate of 17%.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

12. INVESTMENTS

	2019 £'000	2018 £'000
Subsidiary		
Cost and carrying value at beginning and end of year	7,896	7,896

Subsidiary undertaking	Main trading activity	Interest in ordinary shares	Registered
MWH Farrer Limited	Engineering consultancy and leakage detection	100%	England and Wales

The registered office of the subsidiary undertaking is the same as MWH Treatment Limited.

Joint Operations

The company participated in nine joint arrangements during the year.

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)
Year ended 31 December 2019

13. INTANGIBLE ASSETS

	Computer software £'000	Total £'000
Cost		
At 1 January 2019	2,427	2,427
Disposals	(111)	(111)
At 31 December 2019	2,316	2,316
Accumulated depreciation		
At 1 January 2019	1,854	1,854
Charge for the year	467	467
Eliminated on disposals	(111)	(111)
At 31 December 2019	2,210	2,210
Carrying amount		
At 31 December 2019	106	106
At 31 December 2018	573	573

14. PROPERTY, PLANT AND EQUIPMENT

Note	Short leasehold property £'000	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2019	1,109	519	114	666	2,408
Additions	-	1,265	-	349	1,614
Disposals	-	(23)	(28)	(322)	(373)
At 31 December 2019	1,109	1,761	86	693	3,649
Accumulated depreciation					
At 1 January 2019	359	16	64	554	993
Charge for the year	111	184	10	91	396
Eliminated on disposals	-	(5)	(19)	(322)	(346)
At 31 December 2019	470	195	55	323	1,043
Carrying amount					
At 31 December 2019	639	1,566	31	370	2,606
At 31 December 2018	750	503	50	112	1,415

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

15. RIGHT-OF-USE ASSET

The financial statements show the separate line items for the right-of-use assets, which comprise the following;

	IFRS 16 2019 £'000	IFRS 16 2018 £'000
Right-of-use asset (by class of assets)		
Leasehold Property	1,388	1,630
Motor Vehicles	437	873
	<u>1,825</u>	<u>2,503</u>

	Note	Buildings £'000	Motor vehicles £'000	Total £'000
At 31 December 2018		-	-	-
IFRS 16 adjustment	25	1,630	873	2,503
		<u>1,630</u>	<u>873</u>	<u>2,503</u>
Depreciation		(242)	(436)	(678)
		<u>1,388</u>	<u>437</u>	<u>1,825</u>
At 31 December 2019 – IFRS 16				

	IFRS 16 2019 £'000	IFRS 16 2018 £'000
Lease Liabilities		
Short term portion	683	754
Long term portion	1,776	2,459
	<u>2,459</u>	<u>3,213</u>

The following amounts are recognised in the profit or loss

	IFRS 16 2019 £'000	IAS 17 2018 £'000
Depreciation charge for right-of-use asset by class of asset		
Buildings	242	-
Motor vehicles	436	-
Total Depreciation	<u>678</u>	<u>-</u>
Interest expense on lease liabilities (included in finance costs)	168	-
Release of rent-free allowance	-	(86)
Operating lease expense (IAS 17) (included in administrative expenses)	-	923
Total expenses related to leases	<u>846</u>	<u>837</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

16. 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.

	Fixed asset temporary differences	Tax losses	Short term temporary differences	Total
	£'000	£'000	£'000	£'000
At 31 December 2018	358	4,438	118	4,914
Credit to income statement	115	1,380	-	1,495
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019	<u>473</u>	<u>5,818</u>	<u>118</u>	<u>6,409</u>

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £'000	2018 £'000
Deferred tax liabilities	-	-
Deferred tax assets	6,409	4,914
	<u>6,409</u>	<u>4,914</u>

The company has not recognised deferred tax of £Nil (2018: £865,000) on tax losses generated in line with the policy outline within note 3 of the financial statements.

17. INVENTORIES

	2019 £'000	2018 £'000
Raw materials and consumables	<u>91</u>	<u>62</u>

The cost of inventories recognised is an expense during the period in respect of continuing operations was £205,000 (2018: £245,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

18. TRADE AND OTHER RECEIVABLES

	2019	2018
	£'000	£'000
Trade receivables	16,421	27,015
Amounts owed by group undertakings	11,849	-
Amounts recoverable on contracts	19,368	2,880
Contract assets	1,149	476
Contract fulfilment assets	505	517
Other taxation and social security	-	566
Other receivables	11,429	14,449
Prepayments	1,255	1,859
	<u>61,976</u>	<u>47,762</u>

Impairment provisions of £1,229,000 were made against the carrying value of amounts recoverable on contracts. Contract loss provisions are classified within trade and other payables.

Trade receivables are reduced by provisions for non-recovery £222,000.

Contract assets and fulfilment costs are separately disclosed in accordance with IFRS 15, however movements are not considered sufficiently material to require further disclosure.

The average credit period taken is 27 days.

19. TRADE AND OTHER PAYABLES

	2019	2018
	£'000	£'000
Payments on account	9,346	11,279
Trade payables	20,547	21,223
Amounts owed to group undertakings	2,422	1,484
Contract loss provisions	9,324	10,647
Other payables	14,110	7,946
Other taxation and social security	1,633	1,038
Lease liabilities	964	84
Accruals	32,267	36,222
	<u>90,613</u>	<u>89,923</u>

The average credit period taken for trade payables is 44 days.

20. TRADE AND OTHER PAYABLES DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£'000	£'000
Trade payables	262	53
Lease liabilities	3,061	420
Other payables	-	405
	<u>3,323</u>	<u>878</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

21. SHARE CAPITAL

	2019 £'000	2018 £'000
Issued, allotted and fully paid		
4,851,000 ordinary shares of £1.00 each	4,851	4,851

22. SHARE PREMIUM

	£'000
Balance at beginning and end of year	24,559

23. LEASE ARRANGEMENTS

The Company as lessee

	2019 £'000	Restated 2018 £'000
Lease payments under operating leases recognised as an expense in the year:		
Land and buildings	38	31
Other (low value leases/expire during the year)	144	627
	182	658

At the balance sheet date, the Company had outstanding commitments for future minimum lease arrangement payments, which fall due as follows:

	Land and Buildings 2019 £'000	Other 2019 £'000	Restated Land and Buildings 2018 £'000	Restated Other 2018 £'000
Within one year	30	221	30	143
Within one to two years	5	215	26	1
Within two to three years	-	145	4	-
Within three to four years	-	-	-	-
Within four to five years	-	-	-	-
	35	581	60	144

24. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The company operates a stakeholder pension scheme for the employees of the company. This defined contribution scheme and the assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the defined contribution scheme are charged to the profit and loss account in the period in which they are made. The charge for the year was £1,168,000 (year ended 31 December 2018: £1,151,000). There were no unpaid contributions to the Defined Contribution scheme at 31 December 2019 (31 December 2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

25. IMPACT OF ADOPTING IFRS 16

As disclosed in note 2, the company has adopted IFRS 16, Leases, for the first time using the modified retrospective method.

The adjustment for motor leases has excluded all leases due to expire within one year of transition. The interest rate applied is the implicit rate of borrowing. The adjustment for the Leasehold Property has been based upon the company's incremental borrowing rate of 5%.

Balance Sheet	Motor vehicles £'000	Leasehold Property £'000	Adjustment £'000
<i>Non-Current Assets</i>			
Cost	873	1,630	
Depreciation in year	(436)	(242)	
	<u>437</u>	<u>1,388</u>	1,825
<i>Current Liabilities</i>			
Other payables	-	86	
Finance Lease	(369)	(314)	
	<u>(369)</u>	<u>(228)</u>	(597)
<i>Non-Current Liabilities</i>			
Other payables	-	405	
Finance Lease	(120)	(1,656)	
	<u>(120)</u>	<u>(1,251)</u>	(1,371)
<i>Income Statement</i>			
Leases other	(516)	-	
Property rental	-	(406)	
Depreciation	436	242	
	<u>(80)</u>	<u>(164)</u>	
Finance lease interest	60	108	
	<u>(20)</u>	<u>(56)</u>	(76)
Adjustment to opening reserves			<u>(219)</u>

The explanation of the difference between operating lease commitments disclosed as at 31 December 2018 when applying IAS17 to the lease liabilities recognised as at 1 January 2019 is presented in the table below:

	Leasehold Property £'000	Other £'000	Total £'000
Operating Lease commitments as at 1 January 2019	2,831	1,176	4,007
Exclude short term leases	(60)	(124)	(184)
Exclude low value assets	-	(20)	(20)
The effect of borrowing as at 1 January 2019	<u>(503)</u>	<u>(87)</u>	<u>(590)</u>
Lease liability as at 1 January 2019	<u>2,268</u>	<u>945</u>	<u>3,213</u>
Short-term funding	298	456	754
Long-term funding	1,970	489	2,459

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

26. OPERATING PROFIT / (LOSS)

	Continuing Operations Total 2019 £'000	Discontinued Operations – W&E 2018 £'000	Discontinuing Operations 2018 £'000	Continuing Operations 2018 £'000	Total 2018 £'000
Revenue	223,246	4,705	2,431	199,591	206,727
Cost of sales	(210,490)	(16,652)	(3,216)	(189,762)	(209,630)
Gross Profit / (Loss)	12,756	(11,947)	(785)	9,829	(2,903)
Administrative expenses	(9,179)	(3,049)	(588)	(7,889)	(11,526)
Other operating income	-	-	-	350	350
Operating Profit / (Loss)	3,577	(14,996)	(1,373)	2,290	(14,079)

The note above gives an analysis of the operating profit / (loss) for the two financial years to provide an understanding of the contribution from continuing operations, compared to the losses incurred on discontinued activities and discontinuing operations, which ceased during 2019.

Continuing operations are the ongoing core contracts to provide construction, engineering and maintenance services to Water Authorities, representing 100% of revenue for 2019 (96% of revenue for 2018).

Discontinued operations are the final results of Waste and Energy sector projects. The operations effectively ceased on 2 November 2018 and from that date, MWH Treatment Limited was indemnified against all future costs relating to the final delivery of existing projects. Consequently, there will be no future impact upon trading results.

Discontinuing operations above represents the company's share of the results for a joint venture engaged in offsite manufacture and assembly of equipment. MWH Treatment Limited has terminated its role in this business and is exiting the joint venture.

27. ULTIMATE CONTROLLING PARTY

The entire issued share capital of MWH Treatment Limited is owned by MWH UK Acquisitions Limited, registered in England which is the largest Group Company into which the results are consolidated and publicly available. The financial statements for MWH UK Acquisitions Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party is Oaktree Capital Management L.P., registered in U.S.A..

28. CONTINGENT LIABILITIES

The company is a joint guarantor in relation to group banking facilities with CIBC Bank. At the balance sheet date, no amounts were drawn down.

Since the end of the financial year in March 2020, funds were drawn down by another group company to provide a contingency fund in the event of COVID – 19 business interruption impacts. The funds drawn down have not been utilised and remain on hand as at the date of signing these financial statements. There is therefore no expectation of the guarantee being called upon but it remains a contingent liability.