

Registered number: 2212959

Arcadis Consulting (UK) Limited

Annual Report and Financial Statements for the
year ended 31 December 2016



Registered office
Arcadis House
34 York Way
London
N1 9AB

CONTENTS	Page
Directors and Advisers	1
Strategic Report	2
Directors' Report	4
Independent Auditors' Report	8
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Directors and Advisers

Directors

M B Alghita
S Bimpson
S Bradley (resigned 31 December 2016)
A Brookes
A R Clark
M A Cowlard (appointed 29 April 2016)
A Faughnan (resigned 1 February 2017)
S Light (appointed 29 April 2016)
A Limage
P Madden (appointed 29 April 2016)
H McCarthy (appointed 1 February 2017)
M Riley (appointed 29 April 2016; resigned 25 July 2016)
G M Reid (resigned 1 July 2017)
J Williams (appointed 29 April 2016; resigned 1 February 2017)

Company Secretaries

M Day
F Duncombe

Registered Office

Arcadis House
34 York Way
London
N1 9AB

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Solicitors

Wragge Lawrence Graham and Co
55 Colmore Row
Birmingham
B3 2AS

Principal Bankers

HSBC Bank PLC
22 Victoria Street
London
SW1N 0NJ

Strategic Report for the year ended 31 December 2016

The directors present their Strategic Report for the year ended 31 December 2016.

Principal activities and business review

Arcadis Consulting (UK) Limited is part of the Arcadis N.V. Group. Arcadis is the leading global Design & Consultancy firm for natural and built assets. Applying deep market sector insights and collective design, consultancy, engineering, project and management services the Group works in partnership with clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets.

Our core services include technical and organisational consultancy and the planning, design and management of infrastructure across the transportation, land development, buildings, environment and utilities sectors. Arcadis also offers expertise in disciplines that span across many areas of infrastructure development including civil and structural engineering, environmental assessment and engineering, geotechnics, mechanical and electrical engineering, systems engineering, project management, as well as management consultancy in areas including asset management and institutional strengthening.

To improve the collaboration within the wider Arcadis Group, the trade and assets of Power Systems Project & Consultancy Services Limited and Arcadis Nuclear Safety and Risk Consulting Limited were transferred to Arcadis Consulting (UK) Limited on 31 December 2016.

Review of Operations

Excluding exceptional charges, the Company's results for the year are ahead of the previous year with growth in all areas of the business. UK Highways spend has increased and we have been working on the Lower Thames Crossing Project in 2016. The Rail market remains strong but there have been some delays in the procurement of HS2 partners. The Environmental Planning business has grown significantly in the year supporting Infrastructure and master planning projects.

In Water, we have seen growth as the industry continues to invest during the AMP 6 cycle. We are supporting our clients with investment decisions and getting the best out of their assets as part of the Arcadis Group, in addition to providing engineering services to them. In Power, we have provided safety support at Nuclear sites and worked with the large Utilities companies improving connectivity and resilience of the National Grid.

The Company's operating profit for the year ended 31 December 2016 was £1.7m (year ended 31 December 2015: £7.2m). During the year the business of ESR Technology Limited was sold for £2.6m to allow management to focus on core activities. The Arcadis employees occupying the former Hyder Consulting PLC head office in Victoria, London were moved to Arcadis House to allow the Victoria offices to be sublet. As at the balance sheet date, the property was still vacant leading to an onerous lease provision of £1.7m. A provision was made for the duration which the property was expected to continue being vacant and for the rent free period which normally be expected to be given to the new tenant. Goodwill relating to Cresswell Associates Limited has been impaired by £1.4m. As at 31 December 2016 the Company had total assets of £72.6m (31 December 2015: £71.7m). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Current Trading and Outlook

We monitor the market closely to identify trends and adjust our business appropriately. We believe that our balanced Business Line structure across Infrastructure, Water and Environment, will remain flexible to market changes and will enable the business to be responsive to new opportunities as they arise. We have a good order book and opportunity pipeline.

We are continuing to benefit from stronger collaboration with other entities within the Arcadis Group, drawing on their skills and experiences to win significant projects such as Lower Thames Crossing, Thames Tideway and HS2.

Key performance indicators and principal risks and uncertainties

- Turnover for the year 31 December 2016 £129.1m (year ended 31 December 2015: £109.0m)
- Operating profit before exceptional items for the year ended 31 December 2016: £1.7m (year ended 31 December 2015: £7.2m)
- Operating margin before exceptional items for the year ended 31 December 2016: 1.0% (year ended 31 December 2015: 6.6%)
- Average monthly number of employees year ended 31 December 2016: 1,244 (year ended 31 December 2015: 1,000)

The Company considers the management of projects, recruitment, utilisation of people, and retention of key staff and management of its working capital to be the principal risks and uncertainty it faces. Risk management and internal control systems are in operation and the risks are regularly monitored by the board. These systems provide a means of identifying, evaluating and managing the significant risks facing the business.

On behalf of the board



A R Clark
Director

25 September 2017

Directors' Report for the year ended 31 December 2016

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

Results and dividends

The profit before taxation for the year amounted to £0.9m (year ended 31 December 2015: £4.0m). The profit after taxation for the financial year was £0.5m (year ended 31 December 2015: £2.6m).

The directors do not recommend payment of a dividend (year ended 31 December 2015: £nil).

Exceptional Items

An exceptional charge of £0.5m has been recognised in the year (year ended 31 December 2015: £2.5m). During the year the business of ESR Technology Limited was sold with a profit of £2.6m to allow management to focus on core activities. The profit on disposal is calculated as the difference between the proceeds from the disposal and the carrying amount of the investment in the subsidiary.

In accordance with IAS 37 a provision for an onerous lease was made in respect of the former Hyder PLC offices in Victoria, London amounting to £1.7m. The Arcadis employees based in the former Hyder Consulting PLC head office in Victoria, were moved to Arcadis House to allow the Victoria offices to be sublet. The provision is discounted at a rate of 1.1% and incorporates future sublet rental income of £3.5m.

Goodwill relating to Cresswell Associates has been reviewed for impairment in line with IAS 36. It has been determined that the goodwill is fully impaired. Consequently, a charge of £1.4m has been included in exceptional items.

Directors

The directors of the Company who were in office during year ended 31 December 2016 and up to the date of signing the financial statements are set out on page 1.

Directors' interests

There were no significant contracts existing during or at the end of the year ended 31 December 2016, with the Company or any of its subsidiaries (other than service contracts) in which the Directors are, or were materially interested.

Directors' remuneration

Directors' remuneration has been disclosed in note 5 of the financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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 auditors are aware of that information.

Financial risk management

The Company's operations expose it to a variety of financial risks as outlined below. Risk management and internal control systems are in operation and during the year risks were regularly monitored by the board. These systems provide a means of identifying, evaluating and managing the significant risks facing the Company.

Liquidity risk

Working capital and funding requirements are managed from available cash resources, or by making use of intercompany facilities as part of the Arcadis N.V. group. In order to fund special contributions to the Acer Group Pension Scheme (AGPS) and incentive payments to members, who accepted the offer to transfer their liabilities out of the AGPS, the Company has 6 year term unsecured facilities totalling £3.7m with HSBC PLC in the UK.

Credit risk

The Company's main exposure to credit risk relates to amounts due from customers. In line with Company policy appropriate credit checks are performed on potential customers to identify potential risks. The Company recognises the increased credit risk in the current economic climate, and seeks to mitigate this through strong client relationships and advance payments.

Directors' Report for the year ended 31 December 2016 (continued)

Interest rate cash flow risk

There is limited exposure to interest rate changes. Excluding the net interest cost on pension plan, the Company's net interest income for 2016 was £0.02m (2015: £0.07m).

Foreign exchange risk

The Company has some exposure to foreign exchange risk through transactions in currencies other than GBP sterling. Established procedures exist to monitor foreign exchange risks in accordance with policies set by the ultimate holding company, Arcadis N.V.

Employee policies

The Company systematically provides employees with information on matters of concern to them, including the financial and economic factors that affect the performance of the Company.

Employees are regularly consulted so that their views can be taken into account in making decisions that are likely to affect their interests, and are encouraged to be involved in the Company's performance through an employee share scheme.

The Company's Diversity and Inclusion strategy encourages applications from employment from disabled persons, and supports the needs of persons that become disabled during their employment. The Company supports the training, career development and promotion of disabled persons.

Post-employment benefits

The Company operates a defined benefit scheme, which was closed to future benefit accrual in April 2011, and a defined contribution scheme, as detailed in note 16.

The gross deficit in the defined benefit scheme at 31 December 2016 increased to £12.9m (31 December 2015: £9.9m). Contributions to the scheme by the Company amounted to £2.2m in the year. The present value of the unfunded liabilities as at 31 December 2016 amounted to £0.7m (31 December 2015: £0.6m)

The main assumptions in valuing the deficit are shown in note 16. The sensitivities of the AGPS scheme liabilities to changes in these assumptions are as follows:

Assumption	Change in assumption	Indicative effect on scheme liabilities
Discount rate	Increase / decrease by 0.5%	Decrease / increase by £22m
Rate of inflation	Increase / decrease by 0.5%	Increase / decrease by £14m
Longevity	Increase /decrease by 1 year	Increase / decrease by £8m

Corporate Responsibility

The Company's ultimate parent company is Arcadis N.V. Arcadis N.V.'s annual report for the year ended 31 December 2016 contains the Group's corporate responsibility report which details the strategy, objectives and performance the Company follows in maintaining high standards of corporate governance.

EU branches

The Company currently operates via overseas branches within the EU in Romania and Ireland.

Post balance sheet events

With effect from 1 January 2017 a group restructure took place and the company's intermediate holding company, Arcadis Consulting Europe Ltd is now owned 100% by Arcadis UK (Holdings) Limited. The ultimate controlling party remains Arcadis N.V.

On 1 January 2017, the employees of the Company were transferred into Arcadis Human Resources Limited. It is intended that these employees' services will be provided in future years to companies within the group headed by Arcadis UK (Holdings) Limited.

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in existence for the reasonable future and therefore continues to adopt the going concern basis in preparing financial statements.

Share Capital

Full details of the Company's share capital can be found in note 14 to the financial statements.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are continuing as the Company's auditors.

On behalf of the board



A R Clark
Director

25 September 2017

Independent auditors' report to the members of Arcadis Consulting UK Limited

Report on the financial statements

Our opinion

In our opinion, Arcadis Consulting UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Arcadis Consulting UK Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 September 2017

Statement of Comprehensive Income for the year ended 31 December 2016

		2016	2015
	Notes	£'000	£'000
Revenue	3	129,100	108,967
Operating costs *	4	(127,393)	(101,799)
Operating profit		1,707	7,168
Finance income	6	387	291
Finance costs	6	(733)	(904)
Finance costs - net		(346)	(613)
Exceptional charges		(3,058)	(2,544)
Exceptional income		2,601	-
Exceptional Items - net	7	(457)	(2,544)
Profit before taxation		904	4,011
Income Tax on profit	8	(395)	(1,399)
Profit for the financial year		509	2,612
Other comprehensive (expense)/income: Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations net of deferred tax	12,16	(4,016)	3,015
Currency translation differences		(124)	(35)
Other comprehensive (expense)/income for the year		(4,140)	2,980
Total comprehensive (expense)/income for the year		(3,631)	5,592

All of the above amounts relate to continuing operations.

The accounting policies and notes on pages 13 to 41 are an integral part of these financial statements.

* Operating costs including exceptional charges i.e. goodwill impairment and onerous lease provision is £130.45m (2015: £104.34m). Operating loss including exceptional charges is £1.351m (2015: operating profit £4.624m)

Statement of Financial Position as at 31 December 2016

		2016	2015
	Note	£'000	£'000
Assets			
Fixed assets			
Property, plant and equipment	9	2,264	2,189
Intangible assets	10	451	2,448
Investments	11	3,774	10,245
Deferred income tax assets	12	3,402	3,254
Trade and other receivables	13	125	112
		10,016	18,248
Current assets			
Trade and other receivables	13	58,739	49,655
Current income tax asset		1,613	-
Corporation tax receivable		205	78
Cash and cash equivalents		2,030	3,687
		62,587	53,420
Total assets		72,603	71,668
Equity and liabilities			
Called up share capital	14	5,830	5,830
Retained earnings		5,855	15,586
Total equity		11,685	21,416
Liabilities			
Non-current liabilities			
Borrowings	15	2,953	3,664
Post-employment benefits	16	13,595	10,548
Provisions and other liabilities and charges	17	1,462	2,062
		18,010	16,274
Current liabilities			
Trade and other payables	20	32,887	32,362
Current income tax liabilities		-	102
Borrowings	15	713	713
Derivative financial instruments	21	361	137
Provisions and other liabilities and charges	17	8,947	664
		42,908	33,978
Total liabilities		60,918	50,252
Total equity and liabilities		72,603	71,668

The notes on pages 13 to 41 are an integral part of these financial statements.

The financial statements on pages 10 to 41 were approved by the Board of Directors and were signed on its behalf by:

A R Clark
Director

25 September 2017



Statement of changes in equity for the year ended 31 December 2016

	Called up share capital	Retained Earnings	Total equity
	£'000	£'000	£'000
Balance as at 1 January 2015	5,830	9,994	15,824
Profit for the financial year	-	2,612	2,612
Other comprehensive income for the year	-	2,980	2,980
Total comprehensive income for the year to 31 December 2015	-	5,592	5,592
Balance as at 31 December 2015 and 1 January 2016	5,830	15,586	21,416
Profit for the financial year	-	509	509
Other comprehensive expense for the year	-	(4,140)	(4,140)
Transactions with owners, recognised directly in equity		(6,100)	(6,100)
Total comprehensive expense for the year ended 31 December 2016	-	(9,731)	(9,731)
Balance at 31 December 2016	5,830	5,855	11,685

The notes on pages 13 to 41 are an integral part of these financial statements.

Notes to the financial statements

1. General information

Arcadis Consulting (UK) Limited (the 'Company') is a company limited by shares, incorporated and domiciled in England, United Kingdom. The registered office of the Company is: Arcadis House, 34 York Way, London, N1 9AB.

The principal activity of the Company is the provision of multinational design and engineering consultancy services.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements were prepared in accordance with the Companies Act (2006) and Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). The financial statements are prepared under the historical cost convention and are prepared under the going concern basis.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016. These financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000).

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45 (b) and 46 to 52 of IFRS 2 '*Share based payment*'
- The requirements of IFRS 7 *Financial Instruments: Disclosures*;
- The requirements of paragraphs 91 to 99 of IFRS 13 *Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)*.
- Paragraph 38 of IAS 1 *Presentation of Financial Statements comparative information requirements in respect of*:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - iii. paragraph 118(e) of IAS 38 *Intangible Assets (reconciliations between carrying amount at the beginning and end of the period)*.
- The requirements of paragraphs 10(d), 10(f), 16, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;
- The requirements of IAS 7 *Statement of Cashflows*;
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- The requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*;
- 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.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) and 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*.

2.2 Exceptional items

Certain items are presented separately in the income statement as exceptional items. The directors have judged these should be disclosed separately by order of their size, nature or incidence in order to provide a clear and consistent presentation of the Company's performance.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.3 Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty, particularly over the level of demand for the Company's services. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Company's borrowings is given in note 15.

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty, particularly over the level of demand for the Company's services. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Company's borrowings is given in note 15.

2.4 New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2016, have had a material impact on the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been early adopted. None of these are expected to have a significant effect on the financial statements of the Company, except the following:

- IFRS 9 *Financial Instruments* replaces the existing guidance in IAS 39 'Financial instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new 'expected credit loss' model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on (de)recognition of financial instruments from IAS 39. The effect of classification of financial instruments and the expected credit loss principle are expected to have an impact on the measurement of impairment of receivables, but the magnitude has not been determined yet. The standard is effective for annual periods beginning on or after 1 January 2018. The full impact of IFRS 9 is currently being assessed.
- IFRS 15 *Revenues from contracts with customers* establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration (such as bonuses and incentives) and change of scope (such as variation orders and amendments) have a different threshold for revenue recognition in IFRS 15 than under the current IAS 11, which may impact timing of revenue recognition. The full impact is currently being assessed. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement. The full impact of IFRS 15 is currently being assessed.
- IFRS 16 *Leases* addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 *Leases*, and related interpretations. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to EU endorsements and the entity adopting IFRS 15 *Revenues from contracts with customers* at the same time. The full impact of IFRS 16 is currently being assessed.

Notes to the Financial Statements (continued)

2.5 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

2.6 Consolidation

The Company has taken advantage of the exemption granted by section 400 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of an EEA state company, Arcadis N.V. which publishes consolidated financial statements which are publicly available. These financial statements are separate financial statements.

2.7 Revenue recognition

Revenue is stated net of sales tax and is recognised only when the outcome of the transaction can be measured reliably and it is probable that the economic benefits will flow to the Company. Any loss on a contract is recognised as soon as it is foreseen.

Where fee income is determined by time charged, revenue represents the amount of services provided during the financial year. Revenue on long term contracts is recognised according to the stage of completion at the balance sheet date and the terms of the contract including those in relation to variations. The stage of completion is based upon a review of the contract progress and the proportion of costs incurred for work performed compared to the estimated total costs of the contract after making a prudent allowance for uncertainties.

2.8 Cash flow statement

A cash flow statement is not required at 31 December 2016 as the Company is exempt from the requirements of IAS 7 '*Statement of Cashflows*' as it is a wholly owned subsidiary of Arcadis N.V. which prepares a consolidated cash flow statement. The financial statements of Arcadis N.V. are publicly available.

2.9 Goodwill

Purchased goodwill represents the excess of the fair value of consideration payable over the fair value of the identifiable assets and liabilities acquired. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and the appropriate portion of relevant overheads.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.10 Intangible assets (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as expenses are not recognised as an asset in subsequent periods.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Purchased software is initially recognised at cost and amortised over three years.

2.11 Tangible fixed assets

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of the asset.

Depreciation is provided on all property, plant and equipment, other than land on a straight-line basis over its expected useful life, less their estimated residual value as follows:

Leasehold properties and improvements	over the period of the lease or break clause date
Motor vehicles, plant and equipment, computer hardware	2-5 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

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 assets. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

2.12 Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease, with the exception of rental costs on surplus properties which are charged against the provision set up for this purpose.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Financial Assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise receivables, cash and cash equivalents in the statement of financial position.

2.14 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset.

Investments are initially recognised at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.16 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within operating expenses in the statement of comprehensive income.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.16 Trade and other receivables (continued)

Trade and other receivables includes amount recoverable on contracts, which are stated at cost plus attributable profit to the extent that such profit is reasonably certain and after making provision for any foreseeable losses in completing contracts, less payments in advance received on contracts. Cost comprises the direct costs of providing the service, together with directly attributable overheads. Payment in advance on contracts represent excess amounts billed over that earned and are included separately within trade and other payables.

2.17 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Investment in subsidiaries

Investment in subsidiaries are held at cost less accumulated impairment losses.

2.19 Hive-up transactions

The transfer of the net assets of, and the business undertaken by, a subsidiary to its parent company (hive-up transaction) is accounted for using predecessor accounting. Where a hive-up takes place some time after an acquisition, the facts and circumstances surrounding the transaction are reviewed in order to determine whether the carrying value of the intangible assets as recognised on original acquisition remain appropriate.

2.20 Acquisition of trade & assets

Acquisitions of the trade and assets of businesses are accounted for in accordance with IFRS 3 'Business combinations'.

2.21 Long term contract accounting

Amounts recoverable on contracts represent work undertaken but not yet invoiced to customers. These amounts, which are included in receivables, are stated at cost plus attributable profit to the extent that such profit is reasonably certain and after making provision for any foreseeable losses in completing contracts. For this purpose, cost comprises the direct costs of providing the service, together with directly attributable overheads.

Payments on account represent the excess of amounts billed over that earned and are included in payables.

2.22 Pension obligation

The Company operates both defined contribution and defined benefit schemes. For defined contribution schemes, contributions are charged as an expense to the Profit and Loss account as they fall due in accordance with the scheme rules.

For defined benefit schemes, the obligation is calculated by independent actuaries using the Projected Unit Method. Actuarial gains and losses, which represent differences between the expected and actual return on the plan assets and the effect of changes in the actuarial assumptions, are recognised in full in the financial year in which they occur in other comprehensive income.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined liability or asset.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.22 Pension obligation (continued)

The defined retirement benefit obligation recognised in the statement of financial position comprises the total for each plan of the present value of the benefit obligation using a discount rate determined by market yields on high quality corporate bonds, less the fair values of the scheme assets at the Balance Sheet date.

2.23 Foreign currencies

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recorded in the income statement.

Non-monetary items that are measured in terms of historical cost on a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Overseas branches' balance sheets and income statements accounts are translated into sterling at the closing and average rates of exchange respectively. This creates foreign exchange translation differences which is recognised in other comprehensive income.

2.24 Research and development expenditure

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to the development of new products or significant enhancement of existing products are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility and costs can be measured reliably. Development costs that do not meet these specific criteria are not recognised as intangible assets and are written off in the statement of comprehensive income.

2.25 Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

2.26 Derivative financial instruments and hedging activities

The Company has some exposure to foreign exchange risk through transactions in currencies other than GBP sterling. The Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

2.27 Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.28 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.29 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.30 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.31 Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material provisions are discounted.

Vacant properties

Provisions are made based on the estimated net present value of future rental payments, under a non-cancellable lease, less subletting income where properties are vacant or the lesser of cancellation costs. The discount factor used in coming to the future rentals value for the average period of the lease is 1.1%.

Dilapidations provision

As part of the Company's property leasing arrangements, there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to profit and loss over the life of the lease. The provisions are expected to be utilised by 2023 as the leases terminate.

2.32 Share based payments

Equity settled share based incentives are provided to certain employees by the Company's ultimate controlling parent company, Arcadis N.V. Arcadis N.V. recharge the Company for these and these are settled by cash. The fair value of the granted options and shares is measured using a Monte Carlo simulation model.

2. Summary of significant accounting policies (continued)

2.33 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a) Useful economic lives of property plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended as necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of each property, plant and equipment.

b) Carrying value of trade receivables, amounts recoverable on contracts and other receivables

The Company makes an estimate of the recoverable value of trade receivables, amounts recoverable on contracts and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 13 for the net carrying amount of the receivables and associated provision. Provisions against amounts due on long-term contracts are made on a specific basis, based on estimates of recoverability, determined by market knowledge and past experience.

c) Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, asset valuations, and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 16 for the disclosures of the defined benefit pension scheme.

d) Revenue recognition

The Company assesses the most likely outcome of each contract based on a number of factors including technical and contractual requirements, progress to date, and previous experience of similar projects, form of contract and of working with that particular client. The outcome, and therefore the appropriate level of revenue to be recognised is therefore subject to a considerable number of inter-related factors.

The Company's size and diverse spread of projects, together with a prudent assessment of the final value of each contract, minimises the potential for any one project to materially impact the overall business performance.

e) Professional indemnity insurance excesses

The provision reflects management's best estimate of the likely cost of professional indemnity insurance excesses on notified claims in accordance with Company policy. As the Company is in negotiation with regards to claims the final outcomes are subject to a considerable number of factors.

Notes to the Financial Statements (continued)

3. Revenue

The Company's revenue is derived from the provision of design and engineering consultancy services.

Turnover by destination

	2016 £'000	2015 £'000
United Kingdom and rest of Europe	128,052	102,223
Rest of the world	1,048	6,744
Total to third parties	129,100	108,967

The profit before taxation is substantially derived from assets held within the UK.

4. Operating costs

4.1 Expenses by nature

	2016 £'000	2015 £'000
Employee benefit expense (note 5.3)	53,704	48,170
Depreciation and amortisation (notes 9 and 10)	1,828	1,349
Operating lease payments	3,912	3,724
Provision for impairment of trade receivables (note 13)	108	130
Loss on disposal of property, plant and equipment (note 9)	56	12
Exchange differences	(208)	(353)
Goodwill impairment	1,379	2,544
Provision for onerous lease	1,679	-

4.2 Services provided by the Company's auditors and its associates

During the year, the following services were obtained from the Company's auditors as detailed below:

	2016 £'000	2015 £'000
Fees payable for the audit of the Company	115	117
	115	117

No other audit services were provided to the Company by its auditors during the period.

Notes to the Financial Statements (continued)

5. Employee benefit expense

5.1 Directors' remuneration

	2016 £'000	2015 £'000
Aggregate emoluments (including benefits in kind)	388	1,158
Contributions to defined contribution schemes	58	183

One director (year ended 31 December 2015: 1) has benefits under a defined benefit scheme. The defined benefit scheme was closed to future accrual on 30 April 2011, upon which existing members were given the opportunity to transfer to the defined contribution scheme.

Retirement benefits are accruing to 4 directors (year ended 31 December 2015: 4) under a defined contribution scheme.

No (year ended 31 December 2015: 7) directors received shares under the Long-term Incentive Plan during the year.

Included within the directors' remuneration above is an amount of £0.02m (2015: £0.03m) recharged to fellow group companies for their services.

The emoluments of S Bimpson, A Brookes, A Faughnan, A Limage, M Cowlard, S Light, P Madden, M Riley, H McCarthy, G Reid and J Williams were paid by other group companies which make no recharge to the Company. It is not possible to make an accurate apportionment of their emoluments in respect of the Company. Accordingly, no details are included in respect of the emoluments of these directors.

No directors (year ended 31 December 2015: none) exercised share options during the year.

5.2 Highest paid director

	2016 £'000	2015 £'000
Aggregate emoluments (including benefits in kind and excluding gains on shares and options)	209	331
Defined contribution pension schemes: Company contributions	15	40

No share options were received by the highest paid director under the Long Term Incentive Plan during the year. No shares were exercised by the highest paid director during the year. The highest paid director has not participated in a defined benefit pension scheme in the year ended 31 December 2016.

Notes to the Financial Statements (continued)

5.3 Employee benefit expense

	2016 £'000	2015 £'000
Wages and salaries	44,718	39,618
Social security costs	4,562	4,208
Other pension costs – defined contribution plan and defined benefit plan (note 16)	4,419	4,159
Share based payment expense (note 22)	5	185
	53,704	48,170

Share based payment expense reflects the award of shares under the share option scheme, operated by the Company's ultimate controlling party, Arcadis N.V. UK expenses are recharged in full to Arcadis Consulting (UK) Limited.

5.4 Average monthly number of employees during the financial-year (including Directors)

	2016 Number	2015 Number
Technical	1,126	853
Administration	118	147
	1,244	1,000

Notes to the Financial Statements (continued)

6. Finance income and costs

	2016 £'000	2015 £'000
Interest expenses:		
Bank borrowings	53	63
Interest expense on loans from related parties	99	35
Net interest expense on pension plan (note 16)	366	544
Contingent consideration	-	1
Provisions – unwinding of discount (note 17)	4	25
Other interest expense	211	236
Finance costs	733	904
Interest income:		
Interest on short term bank deposits	(10)	(11)
Interest income on loans to related parties	(375)	(275)
Other interest income	(2)	(5)
Finance income	(387)	(291)
Net finance costs	346	613

7. Exceptional Items

	2016 £'000	2015 £'000
Disposal of ESR Technology Limited	(2,601)	-
Provision for onerous lease	1,679	-
Goodwill impairment	1,379	2,544
	457	2,544

The provisions for the onerous lease is based on the estimated net present value of future rental payments. The discount factor used in coming to the future rentals value for the average period of the lease is 1.1%.

Notes to the Financial Statements (continued)

8. Tax on profit

	2016 £'000	2015 £'000
Analysis of the tax charge		
Current Tax		
UK Corporation tax	(873)	690
Adjustments in respect of prior years	505	(18)
Total current year	(368)	672
Deferred tax: Origination and reversal of temporary differences		
Origination and reversal of timing differences (note 12)	521	602
Adjustments in respect of prior years	-	(14)
Impact of change in UK tax rate (note 12)	242	139
Total deferred tax	763	727
Tax on profit	395	1,399
Reconciliation of tax charge:		
Profit before taxation	904	4,011
Profit multiplied by the standard rate in the UK of 20% (period ended 31 December 2015: 20.25%)	181	812
Adjustments in respect of prior years	505	(32)
Effect of expenses/(income) not deductible for tax	(533)	480
Effect on deferred tax balances due to change in UK corporation tax rate	242	139
Total taxation charge	395	1,399

The change announced to reduce the main UK corporation tax rate to 19% from 1 April 2017 was substantively enacted on 26 October 2015 and a further reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016.

Notes to the Financial Statements (continued)

9. Property, plant and equipment

	Leasehold Properties and Improvements	Motor Vehicles, Plant and Equipment, Computer hardware	Total
	£'000	£'000	£'000
Cost			
At 1 January 2016	3,558	5,777	9,335
Additions	850	210	1,060
Additions at NBV on hire up	2	7	9
Disposals	(1,261)	(3,108)	(4,369)
At 31 December 2016	3,149	2,886	6,035
Accumulated depreciation			
At 1 January 2016	2,346	4,800	7,146
Provided during the year	347	591	938
Released on disposal	(1,211)	(3,102)	(4,313)
At 31 December 2016	1,482	2,289	3,771
Carrying amount 2016	1,667	597	2,264
At 31 December 2015	1,212	977	2,189

Notes to the Financial Statements (continued)

10. Intangible assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2016	5,729	3,236	8,965
Additions	-	264	264
Additions at NBV on hive up	-	9	9
Disposals	-	(1,563)	(1,563)
At 31 December 2016	5,729	1,946	7,675
Accumulated amortisation and impairment			
At 1 January 2016	4,350	2,167	6,517
Amortisation charge (note 4) – included in administration expenses	-	890	890
Impairment	1,379	-	1,379
Released on disposal	-	(1,562)	(1,562)
At 31 December 2016	5,729	1,495	7,224
Carrying amount at 31 December 2016	-	451	451
At 31 December 2015	1,379	1,069	2,448

Notes to the Financial Statements (continued)

11. Investments

Investments in subsidiary undertakings

	2016 £'000	2015 £'000
At 1 January 2016	10,245	12,031
Disposals	(371)	(1,786)
Business Combination adjustment	(6,100)	-
At 31 December 2016	3,774	10,245

ESR Technology Limited was disposed of in December 2016. The investment was held at cost of £1.

Ashact Limited, Marcus Hodges Environment Limited and Cresswell Associates (Environmental Consultants) Limited were liquidated during the year. They had been dissolved on 24 July 2016.

The net assets of Power Systems Project & Consultancy Services Limited and Arcadis Nuclear Safety and Risk Consultancy Limited were transferred to Arcadis Consulting (UK) Limited on 31 December 2016. The investments of Power Systems Project & Consultancy Services Limited and SR3C Management Limited (the holding company of Arcadis Nuclear Safety and Risk Consultancy Limited) have been written down to the value of the net assets transferred, resulting in a charge of £6.1m recognised directly in equity. The historic cost of Power Systems Project & Consultancy Services Limited was £3.95m and the historic cost of SR3C Management Limited was £5.05m.

The net book amount of investments as at 31 December 2016 comprises investments in the three subsidiaries listed below. The directors believe that the carrying value of the investments is supported by their underlying net assets.

Subsidiaries	Country of incorporation, registration and operation	Direct Shareholding %
Name		
Hyder Consulting Overseas Limited	England and Wales	100
SR ³ C Management Limited	England and Wales	100
Power Systems Project & Consultancy Services Limited	Scotland	100

Notes to the Financial Statements (continued)

12. Deferred tax assets

	Post employment benefits £'000	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 1 January 2016	1,996	1,172	86	3,254
(Charged)/Credited to profit and loss account:				
Current year (note 8)	(395)	(136)	10	(521)
Adjustment for change in UK tax rate from blended rate (note 8)	(65)	(177)	-	(242)
Amounts recognised on hive up	-	-	17	17
	1,536	859	113	2,508
Credited to other comprehensive expense:				
Current year	894	-	-	894
At 31 December 2016	2,430	859	113	3,402

Deferred tax assets have been recognised in respect of timing differences giving rise to deferred tax assets only where it is more likely than not that these assets will be recovered in the foreseeable future.

The deferred tax balances have been calculated, dependant on which rate will be in effect when the assets are expected to be utilised.

There are no unused tax losses or unused tax credits.

13. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	10,142	8,197
Less: provision for impairment of trade receivables	(108)	(894)
Trade receivables - net	10,034	7,303
Amounts recoverable on contracts	14,345	9,995
Other receivables	1,181	197
Receivables from other group undertakings	13,827	18,439
Receivables from other related parties	2,160	-
Loans to other group undertakings	15,694	12,650
Prepayments and accrued income	1,253	1,183
Amounts recognised on hive up	370	-
	58,864	49,767
Less non-current portion:		
Prepayments and accrued income	(125)	(112)
Current portion	58,739	49,655

All non-current receivables are due within five years from the end of the reporting period.

Notes to the Financial Statements (continued)

13. Trade and other receivables (continued)

Loans and receivables owed by related parties are unsecured, have no fixed date of repayment and are repayable on demand.

The above values represent the fair values of the assets at 31 December 2016.

As at 31 December 2016 trade receivables of £3.2m (2015: £2.2m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 £'000	2015 £'000
Up to 90 days	2,877	1,990
Over 90 days	320	256
	3,197	2,246

As at 31 December 2016, trade receivables of £0.1m (2015: £0.9m) were impaired and provided for in full. The ageing of these receivables is as follows:

	2016 £'000	2015 £'000
Up to 90 days	-	6
Over 90 days	108	888
	108	894

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2016 £'000	2015 £'000
UK pound	48,149	39,285
Euro	65	-
Qatari riyal	1,550	7,320
Australian dollar	30	53
Emirati dirham	-	215
Canadian dollar	14	13
Saudi Arabian riyal	9,047	2,881
Malaysian ringgit	9	-
	58,864	49,767

Movements in the Company's provision for impairment of trade receivables are as follows:

	2016 £'000	2015 £'000
At start of year	894	1,108
Unused amounts released	(93)	(207)
Amounts written off	(889)	(115)
Amount charged in the year	167	130
Effects of exchange rate movements	29	(22)
At end of year	108	894

Notes to the Financial Statements (continued)

14. Ordinary shares

	2016 £'000	2015 £'000
Allotted and fully paid:		
116,600,000 Ordinary shares of £0.05 each (2015: 116,600,000)	5,830	5,830

15. Borrowings

	2016 £'000	2015 £'000
Non current		
Bank loans	2,953	3,664
Current		
Bank loans	713	713

At 31 December 2016 the Company had total borrowings of £3.7m (2015: £4.4m) comprising unsecured bank loans of £2.5m and £1.2m. The loans have floating interest rates and are utilised for the purpose of funding special contributions and incentive payments to members of the AGPS. The £2.5m is repayable in 22 equal quarterly instalments whilst the £1.2m loan is repayable in 18 equal quarterly instalments.

The fair value of borrowings are considered to equal their carrying value. All borrowings are denominated in British Pounds.

(a) Maturity of financial liabilities

	2016 £'000	2015 £'000
Bank loans and overdrafts payable as follows:		
In one year or less, or on demand	713	713
In more than one year, but not more than two years	713	713
In more than two years, but not more than five years	2,010	2,138
In more than five years	230	813
	3,666	4,377

(b) Operating lease commitments – minimum lease payments

At 31 December 2016 the Company's total remaining commitments as lessee under non-cancellable leases were as follows:

	Land and buildings		Others	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Rental payables:				
In one year or less	1,971	1,848	850	1,222
In more than one year but no more than two	1,580	1,426	481	750
In more than two years but no more than five	3,242	3,161	274	575
Greater than five years	224	1,197	-	-
	7,017	7,632	1,605	2,547

Notes to the Financial Statements (continued)

16. Post Employment Benefits

Employees of the Company participate in a number of pension schemes in the UK. The assets of each pension scheme are held separately from the assets of the Company and are administered by trustees.

During the year contributions were made to the Arcadis Consulting (UK) Limited Group Personal Pension Plan, a defined contribution scheme, and the Acer Group Pension Scheme (AGPS), a defined benefit scheme. During the year £4.4m (year ended 31 December 2015: £4.2m) contributions were made to the defined contribution scheme and at 31 December 2016 there were outstanding contributions to this scheme of £0.5m (year ended 31 December 2015: £0.4m).

The Company is the principal employer of the AGPS. The pension cost for the AGPS has been assessed, in accordance with actuarial advice, using the projected unit method. For this purpose the main actuarial assumptions used are based upon a discount rate of 2.80% (year ended 31 December 2015: 3.90%) per annum, and increases to pensions in payment of 2.55% (year ended 31 December 2015: 2.45%), 3.35% (year ended 31 December 2015: 3.10%) and 2.20% (year ended 31 December 2015: 2.15%) per annum for increases in line with the RPI capped at 3%, 5% and 2.5% respectively.

A full actuarial valuation of the AGPS was carried out as at 1 April 2014 and updated to 31 December 2016 by a qualified independent actuary. The contributions made to the scheme in the year were £2.2m (year ended 31 December 2015: £2.5m), with £0.1m (year ended 31 December 2015: £0.1m) paid to annuitants.

The scheme was closed to future benefit accrual on 30 April 2011. The post retirement mortality assumption incorporates a scheme specific base table and an allowance for future improvements in mortality rates from 2004 onwards in line with the 2013 Continuous Mortality Investigation Model with a long term improvement rate of 1.5% and no special convergence.

The total pension costs to the Company, as disclosed in the staff costs note (note 5.3), for the defined contribution scheme and the AGPS for the year was £4.4m (year ended 31 December 2015: £4.2m). Audit fees for the AGPS amounted to £0.01m for the year (year ended 31 December 2015: £0.01m).

The key assumptions and the sensitivities of the AGPS liabilities to changes in these assumptions are shown below:

Assumption	Change in assumption	Indicative effect on scheme liabilities
Discount rate	Increase / decrease by 0.5%	Decrease / increase by £22m
Rate of inflation	Increase / decrease by 0.5%	Increase / decrease by £14m
Longevity	Increase/ decrease by 1 year	Increase/decrease by £8m

The key assumptions used are as follows:

	At 2016	At 2015
	% per annum	% per annum
Rate of increase of salaries	N/A	N/A
Rate of increases to pensions in payment:		
- RPI up to a maximum	2.5, 3 & 5	2.5, 3 & 5
Discount rate	2.80	3.90
Inflation assumptions (RPI)	3.55	3.25
Inflation assumptions (CPI)	2.55	2.25
Longevity at age 65 for current pensioners	Years	Years
- Males	23	22.9
- Females	25.1	25.0
Longevity at age 65 for future pensioners		
- Males currently aged 45	25.2	25.1
- Females currently aged 45	27.4	27.3

Notes to the Financial Statements (continued)

16. Post Employment Benefits (continued)

The assets in the scheme were:

	Value at 31 December 2016 £'000	Value at 31 December 2015 £'000
Equities	43,727	121,827
Bonds	79,660	30,927
Hedge Funds	56,700	-
Other	10,182	554
Total market value of assets	190,269	153,308
Present value of scheme liabilities	(203,194)	(163,238)
Deficit in the scheme	(12,925)	(9,930)
Present value of unfunded liabilities	(670)	(618)
Pension deficit	(13,595)	(10,548)

History of experience gains and losses:

	31 Dec 2016 £'000	31 Dec 2015 £'000	31 Dec 2014 £'000	31 March 2014 £'000	31 March 2013 £'000
Fair value of scheme assets	190,269	153,308	156,725	138,895	141,992
Present value of scheme obligations	(203,864)	(163,856)	(173,089)	(161,320)	(161,779)
Deficit in the scheme	(13,595)	(10,548)	(16,364)	(22,425)	(19,787)
Experience adjustments on scheme assets					
Amount (£m)	34.6	(6.0)	15.6	(8.1)	9.2
Percentage of scheme assets	18%	4%	10%	6%	6%
Experience adjustments on scheme liabilities					
Amount (£m)	(39.7)	9.8	(10.9)	1.8	(14.1)
Percentage of scheme liabilities	19%	6%	6%	1%	9%
Cumulative amount recognised in equity					
Amount (£m)	(25.9)	(20.8)	(24.6)	(29.3)	(23.0)

The estimated amount of contributions expected to be paid into the AGPS during the year ended 31 December 2017 is £2.0m (2016: £2.0m).

Note:

- (1) At the date of the last funding valuation (1 April 2014), the AGPS held assets to the value of £156.7m. This represented a funding level of 91% of the scheme's accrued liabilities at that date (1 April 2011: 86%).

16. Post employment benefits (continued)

Movement in the present value of the scheme obligations	2016 £'000	2015 £'000
At start of year	163,856	173,089
Interest on pension scheme liabilities	6,272	6,130
Remeasurements	39,701	(9,802)
Benefits paid from plan	(5,965)	(5,561)
At 31 December	203,864	163,856
Movement in the fair value of the scheme assets	2016 £'000	2015 £'000
At start of year	153,308	156,725
Expected return on scheme assets	5,906	5,586
Remeasurements	34,681	(6,033)
Contributions from employers	2,339	2,591
Benefits paid from plan	(5,965)	(5,561)
At 31 December	190,269	153,308
Analysis of the amount credited to interest expense	2016 £'000	2015 £'000
Interest on pension scheme liabilities	6,272	6,130
Expected return on pension scheme assets	(5,906)	(5,586)
Net interest expense	366	544

17. Provisions for liabilities

	Legal and Similar costs £'000	Vacant Properties (note (a)) £'000	Dilapidations – other properties (note (b)) £'000	Total £,000
At 1 January 2016	1,452	238	1,036	2,726
Charged to the income statement	7,686	1,801	290	9,777
Unused amounts Reversed	(971)	(126)	(426)	(1,523)
Unwinding of discount	-	4	-	4
Utilised	(486)	(80)	(54)	(620)
Amounts recognised on hive up	-	-	45	45
At 31 December 2016	7,681	1,837	891	10,409

Analysis of total provisions:

	2016 £'000	2015 £'000
Due within 1 year	8,947	664
Due after 1 year	1,462	2,062
	10,409	2,726

(a) Vacant property

The provision represents the net present value of future rentals where properties are vacant. These provisions will be utilised up until such time as the vacant properties are re-let (when the requirement for a provision will be reassessed), or the lease terminates, whichever occurs earlier. Factors such as the strength of current and future commercial letting markets have been considered in order to provide the best estimate of vacant property costs the Company is likely to be exposed to. As these factors are affected by external parties this contributes to the uncertainty surrounding the amount and exact timing of related costs.

Sublet income discounted to net present value of £3.5m has been offset against future rentals in order to determine the net present value of future rentals the Company is likely to be exposed to.

(b) Dilapidations – other properties

The provision relates to repairs and reinstatement costs in respect of the Company's occupied offices. Of the provision £0.3m is classified as due within one year as the lease end date or break clause date is within the next financial year.

18. Contingent liabilities

The Company has received notice of professional indemnity claims. The Company has been advised by Counsel that it is not probable that these claims will succeed; accordingly, no provision for any liability has been made in these financial statements. Should all the claims be successful, it has been estimated that the liability would be £2.3m (2015: £2.8m).

19. Guarantees

The Company agreed to guarantee the lease payments on the Warrington property on the disposal of ESR Technology Limited while the purchaser procures the company's release. The purchaser has agreed to indemnify the Company for liabilities, costs, expenses, damages and losses suffered by the Company prior to being released from the Guarantee.

20. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	4,809	5,023
Amounts due to other related parties	123	-
Amounts due to other group members	5,069	11,186
Social security and other taxes	4,624	4,647
Other liabilities – contingent consideration	-	1,000
Accrued expenses	9,304	5,599
Contract payments on account	6,148	3,480
Other payables	1,834	1,427
Amounts recognised on hive up	976	-
	32,887	32,362
Less non-current portion:		
Other liabilities – contingent consideration	-	-
Current portion	32,887	32,362

Loans due to related parties are unsecured, have no fixed date of repayment and are repayable on demand.

21. Derivative financial instruments

	2016 £'000	2015 £'000
Derivative financial instruments	361	137

The Company only uses derivatives for specific purposes in order to hedge the exposure to foreign exchange risks. Derivatives include forward exchange contracts. The Company does not hold or issue derivatives for trading purposes.

All derivative financial instruments are initially recognised at fair value, and attributable transaction costs are recognised in profit or loss when occurred. Subsequently, derivatives are measured at fair value derived from the market prices of the instruments, with the fair value changes recognised in operating income. The carrying values of the derivatives are recognised in the balance sheet as derivatives, and are classified as current liabilities.

Notes to the Financial Statements (continued)

22. Related party transactions

The Company had the following transactions with Joint Arrangements:

Revenue:

	2016 £'000	2015 £'000
CH2M Hyder JV	8,556	1,137
Faber Maunsell Hyder JV	-	59
Hyder Halcrow JV	10,600	15,079
Hyder WSP JV	4,654	11,676
Hyder-Mott MacDonald JV	651	1,050
JacksonHyder Limited	1,596	955
Mouchel Hyder JV	494	393
LTC - Cascade	2,921	-
Total	29,472	30,349

As at 31 December the Company held the following balances with Joint Arrangements:

Receivables:

	2016 £'000	2015 £'000
Hyder Halcrow JV	257	347
Hyder WSP JV	-	154
Hyder-Mott MacDonald JV	-	190
JacksonHyder Limited	444	169
LTC Cascade	1,235	-
Mouchel Hyder JV	10	-
CH2M Hyder JV	133	-
Total	2,079	860

Payables:

	2016 £'000	2015 £'000
Faber Maunsell Hyder JV	123	88
Total	123	88

Notes to the Financial Statements (continued)

22. Related party transactions (continued)

The Company had the following transactions with fellow subsidiaries not wholly owned within the group:

Revenue:

	2016 £'000	2015 £'000
Hyder Elkhareiji	14	66
Total	14	66

Receivables:

	2016 £'000	2015 £'000
Hyder Elkhareiji	81	64
Total	81	64

In accordance with FRS 101, the Company is exempt from the requirements of paragraph 17 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.

23. Share based compensation

All share based compensation schemes are operated and awarded by the ultimate controlling party, Arcadis N.V. All share based payment schemes previously operated and awarded by our previous ultimate controlling party, Hyder Consulting Group Holdings Limited were closed following the acquisition of the Group by Arcadis N.V. in October 2014.

Arcadis N.V. uses Long—Term Incentive Plans ('LTIP'). Shares under LTIP are solely granted in the form of Restricted Share Units (RSUs) and represent an equal number of ordinary shares, subject to meeting the applicable vesting conditions. The RSUs will be converted into ordinary shares on the vesting date.

Options and shares granted are conditional in nature and depend on, amongst others, attaining a performance measure after three years.

For employees of the Company, no share options were exercised during the year (year ended 31 December 2015: none). 31,300 options were outstanding at the end of the year (year ended 31 December 2015: 31,300). The weighted average remaining contractual life of the outstanding options is 1 year (year ended 31 December 2015: 2 years) and they have a range of exercise prices between EUR 24.93 and EUR 27.15 (year ended 31 December 2015: EUR 24.93 and EUR 27.15).

The Company recognised expenses of £5k (year ended 31 December 2015: £185k) related to share based payment transactions as recharged from Arcadis N.V. within the financial year (see note 5.3).

24. Directors' and officers' loans and transactions

Other than disclosed in the Directors' report, no loans or credit transactions with any directors, officers or connected persons subsisted during the financial year or were outstanding at the end of the financial year.

Notes to the Financial Statements (continued)

25. Subsidiary undertakings

Name	Holding Type	Incorporated in	Equity owned	Registered address
Hyder Consulting Overseas Limited	Direct	UK	100%	Arcadis House 34 York Way London N1 9AB
Acer partnerships Limited	Direct	UK	100%	Arcadis House 34 York Way London N1 9AB
Sir Bruce White Limited	Direct	UK	100%	Arcadis House 34 York Way London N1 9AB
Arcadis Consulting (UK) Filiala Bucuresti SRL	Direct	Romania	100%	Tintasului Nr 21 Etaj 1 Sectorul1 Bucuresti 012165
Power Systems Project and Consultancy Services Limited	Direct	UK	100%	Arcadis House 34 York Way London N1 9AB
SR3C Management Limited	Direct	UK	100%	Arcadis House 34 York Way London N1 9AB
Arcadis Nuclear Safety and Risk Consultancy Limited	Indirect	UK	100%	Arcadis House 34 York Way London N1 9AB
Jackson Hyder Limited	Direct	UK	50%	30 White House Road Ipswich IP1 5LT
Hyder WSP JV	Direct	UK	50%	HCL House St Mellons Business Park Fortran Road Cardiff CF3 0EY
Faber Maunsell Hyder JV	Direct	UK	50%	Aston Cross Business Village 50 Rocky Lane Aston Birmingham B6 5RQ
Hyder-Mott MacDonald JV	Direct	UK	50%	HCL House St Mellons Business Park Fortran Road Cardiff CF3 0EY
Hyder Halcrow JV	Direct	UK	50%	Medawar Road Surrey Research Park Guildford Surrey GU2 7AR
CH2M Hyder JV	Direct	UK	40%	227 London Road Worcester WR5 2JG

Notes to the Financial Statements (continued)

25. Subsidiary undertakings (continued)

LTC-Cascade JV	Direct	UK	40%	Elms House 43 Brook Green London W6 7EF
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Ashact Limited, Marcus Hodges Environment Limited, Cresswell Associates (Environmental Consultants) Limited and RPA Quantity Surveyors Limited were liquidated during the year. They were dissolved on 24 July 2016.

The net assets of Power Systems Project and Consultancy Services Limited and Arcadis Nuclear Safety and Risk Consultancy Limited were transferred into Arcadis Consulting (UK) Limited at 31 December 2016. The Company intends to liquidate Power Systems Project and Consultancy Services Limited, SR3C Management Limited and Arcadis Nuclear Safety and Risk Consultancy Limited in the future.

ESR Technology Limited was disposed of in December 2016.

26. Ultimate holding company and controlling party

The Company's intermediate holding company is Arcadis Consulting Europe Ltd and its ultimate holding company and controlling party is Arcadis N.V., a company registered in The Netherlands. Arcadis N.V. is the only company to consolidate these financial statements and these are available from: www.arcadis.com.

27. Post balance sheets events

With effect from 1 January 2017 a group restructure took place and the company's intermediate holding company, Arcadis Consulting Europe Ltd is now owned 100% by Arcadis UK (Holdings) Limited. The ultimate controlling party remains Arcadis N.V.

On 1 January 2017, the employees of the Company were transferred into Arcadis Human Resources Limited. It is intended that these employees' services will be provided in future years to companies within the group headed by Arcadis UK (Holdings) Limited.

The onerous lease provision relates to three floors of the Hyder Consulting Plc head office in Victoria, London. Two of the floors were sublet in August 2017.

A receipt of SAR 5,989,774 was received in July 2017 as partial payment for the Jeddah Metro contract.