

Arcadis Consulting (UK) Limited

Annual Report and Financial Statements

Year ended 31 December 2018

Company Number: 02212959



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Corporate information

Directors

M B Alghita

S Bimpson

S J Bromhead (appointed 1 November 2018)

A G Brookes (resigned 21 January 2019)

E L Christie (appointed 22 March 2018)

A R Clark

M A Cowlard

M Crellin (appointed 15 July 2018, resigned 31 October 2018)

L R A England (appointed 1 November 2018)

S C V Light (resigned 31 October 2018)

P V Madden (resigned 21 January 2019)

H K McCarthy (resigned 31 October 2018)

T T Morgan (appointed 1 November 2018)

Company secretary

M A Day (resigned 15 June 2019)

F M Duncombe

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London WC2N 6RH

Solicitors

Reynolds Porter Chamberlain

Tower Bridge House

St Katharine's Way

St Katharine's & Wapping

London E1W 1AA

Principal bankers

HSBC Bank plc

22 Victoria Street

London SW1N 0NJ

Registered office

Arcadis House

34 York Way

London N1 9AB

Strategic report

For the year ended 31 December 2018

The directors present their Strategic report for the year ended 31 December 2018.

Principal activities

Arcadis Consulting (UK) Limited ("the Company") is part of the Arcadis N.V. group ("the Group"). Arcadis is a 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.

Review of the business

The profit before taxation for the year amounted to £4.8m (year ended 31 December 2017: £7.6m). The profit after taxation for the financial year was £4.1m (year ended 31 December 2017: £6.0m).

The Company's revenue continued to grow in Infrastructure and Environment. Water slowed down in the main due to the timing of the regulated investment cycle (AMP). Government-led Infrastructure spend has continued to increase during 2018, with the Company delivering previously secured work on Major Highways schemes such as Lower Thames Crossing and High Speed 2. The year saw completion of the initial design Phase 1 Work on Digital Rail, where we are supporting Network to deploy modern signalling and train control technology and increase capacity and safety on the network.

We continue to support the large utility companies to get the best out of their assets and capital spend including preparing for the next AMP investment cycle. There is an increasing demand for us to offer a full range of services to our clients including design and advisory. Our Environment teams are striving to improve quality of life and helping to ensure projects are delivered within the sustainable frameworks through supporting infrastructure schemes and new housing developments.

The Company's adjusted operating profit before exceptional items for the year ended 31 December 2018 was £4.9m (year ended 31 December 2017: £7.9m). Exceptional items resulted in a net charge of £0.9m (2017: £0.03m).

As at 31 December 2018 the Company had total net assets of £28.9m (31 December 2017: £21.3m). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Strategic report (continued)

For the year ended 31 December 2018

Review of the business (continued)

Significant events since the balance sheet date are outlined in the Directors' Report below.

Key performance indicators

- Turnover £186.7m (2017: £151.1m)
- Operating profit before exceptional items £4.8m (2017: £7.9m)
- Operating margin before exceptional items 2.6% (2017: 5.2%)
- Average monthly number of employees 1,504 (2017: 1,345)

Current trading and beyond

We monitor the market closely to identify trends and adjust our business appropriately. A key focus for 2018 has been to digitalise our solutions and build a workforce, within Arcadis that is fit for the future. We believe that our balanced business line structure across Buildings, Infrastructure and WEESI (Water, Energy, Environment, Safety & Industry) combined with a mixture of global and local Clients will remain flexible to market changes. We have a strong order book and opportunity pipeline.

Principal risks and uncertainties

The Company considers the following key risks:

Strategic: Capability and innovation – rapidly changing market demands.

Market Risk: Uncertainty caused by BREXIT and the potential impact on UK government infrastructure spending

Operational: Management of projects, utilisation and retention of key staff resources.

Financial: A number of financial risks, as outlined in the Directors' Report on pages 5 and 6.

Risk management and internal control systems are in operation and during the year risks were regularly monitored by the Board of Arcadis UK (Holdings) Limited across all its UK subsidiaries and businesses. These systems provide a means of identifying, evaluating and managing the significant risks facing the business.

Strategic report (continued)

For the year ended 31 December 2018

Employment policies

The Company does not have any direct employees. All of the Company's staff are employed by Arcadis Human Resources Limited ("AHR") and the Company incurs a management charge for the provision of these staff.

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

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 Arcadis group's performance through the employee share scheme. Our People First (PF) forum was created in order to give a voice to our people. Through the PF forum, people have the opportunity to share their views on key business issues. This allows them to shape and influence not just business decisions, but also the culture of Arcadis.

AHR encourages employment applications from candidates who identify as having a protected characteristic under the Equality Act 2010. This includes people with a disability, those from BAME and LGBT communities and people of different faiths.

AHR's Equality, Diversity and Inclusion Strategy, including alignment with the Business Disability Confident Scheme, guides the entire UK business in its inclusive policies, procedures and behaviours. For example, the Arcadis group looks to support people during their employment and seeks to ensure that no group of people holding protected characteristics are put at a disadvantage or discriminated against. The Reasonable Adjustment policy commits the group to making reasonable adjustments to an employee's working environment, should a disability or mental health need arise.

The Arcadis group has mandatory training on equality, diversity and inclusion for all new starters as well as bespoke training focusing on eliminating bias, mental health first aid and creating an inclusive business. Training is open to everyone regardless of protected characteristic status.

On behalf of the Board



A R Clark
Director

7 August 2019

Directors' report

For the year ended 31 December 2018

The directors present their Report and the audited financial statements of the Company for the year ended 31 December 2018.

Future developments

The directors believe the prospects for the Company to be good, due to continuing demand for its services.

Dividends

The directors do not recommend payment of a dividend (year ended 31 December 2017: £Nil).

Exceptional items

Exceptional items recognised in the year amount to a net charge of £0.9m (year ended 31 December 2017: £0.03m). These are set out in note 7.

Financial risks

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 £2.2m 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.

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 2018 was £0.2m (2017: £0.08m).

Price risk

The nature of the Company's financial instruments means that they are not subject to price risk.

Directors' report (continued)

For the year ended 31 December 2018

Financial risks (continued)

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.

The principal risks and uncertainties for the group are disclosed in the 2018 Annual Report of Arcadis N.V. (the ultimate parent undertaking and controlling party (pages 140 to 148)), available at: www.arcadis.com.

Post balance sheet events

A provision for legal costs was increased by £1.0m in June 2019. The provision as at 31 December 2018 is unadjusted.

Directors

The directors of the Company who were in office during the year 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 2018, 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.

Branches outside the UK

The Company currently operates via overseas branches in Finland, Romania, Ireland, the Isle of Man, and India.

Corporate responsibility

The Company's ultimate parent company is Arcadis N.V. Arcadis N.V.'s annual report for the year ended 31 December 2018 contains the Group's corporate responsibility report which details the strategy, objectives and performance the Company follows in maintaining high standards of corporate governance.

Employment policies

Employment policies are discussed in the Strategic report on page 4.

Directors' report (continued)

For the year ended 31 December 2018

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 18.

The gross deficit in the defined benefit scheme at 31 December 2018 decreased to £3.8m (31 December 2017: £6.9m), after accounting for an adjustment for GMP equalisation of £3.3m as a past service cost. 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 2018 amounted to £0.5m (31 December 2017: £0.6m).

The main assumptions in valuing the deficit are shown in note 18. 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 £17m
Rate of inflation	Increase / decrease by 0.5%	Increase / decrease by £10m
Longevity	Increase / decrease by 1 year	Increase / decrease by £7m

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 19 to 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 period. 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.

Directors' report (continued)

For the year ended 31 December 2018

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

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.

Statement of disclosure of information to auditors

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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 directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, were appointed during the year and have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the board



A R Clark
Director

7 August 2019

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

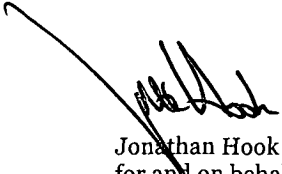
Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 August 2019

Income statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	186,722	151,087
Other operating income		-	450
Staff costs		(114,352)	(91,205)
Depreciation and amortisation		(2,068)	(1,782)
Other operating expenses		(65,437)	(50,649)
Operating profit*	4	4,865	7,901
Income from shares in group undertakings		869	-
Finance income		584	379
Finance costs		(594)	(654)
Finance costs - net	6	(10)	(275)
Exceptional income		3,176	-
Exceptional charges		(4,123)	(31)
Exceptional items (net)	7	(947)	(31)
Profit before taxation		4,777	7,595
Income tax expense	8	(716)	(1,563)
Profit for the financial year		4,061	6,032

* Operating costs including exceptional items are £182.8m (2017: £143.2m). Operating profit including the impact of exceptional items is £3.92m (2017: operating profit £7.87m).

The above income statement should be read in conjunction with the accompanying notes.

Statement of comprehensive income
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Profit for the financial year		4,061	6,032
<i>Other comprehensive income:</i>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit obligations	18	4,277	4,311
Movement on deferred tax related to post-employment benefit obligation	12	(813)	(829)
Currency translation differences		44	77
Other comprehensive income for the year, net of tax		3,508	3,559
Total comprehensive income for the year		7,569	9,591

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	9	983	1,296
Property, plant and equipment	10	4,084	3,408
Investments	11	2,905	3,774
		7,972	8,478
Current assets			
Trade and other receivables:			
Amounts falling due after more than one year	13	-	-
Amounts falling due within one year	13	61,029	102,301
Corporation tax receivable		256	382
Deferred tax assets	12	1,540	2,159
Derivative financial instruments	16	-	109
Cash and cash equivalents		2,009	2,244
		64,834	107,195
Creditors: amounts falling due within one year			
Borrowings	14	(713)	(713)
Trade and other payables	15	(28,722)	(72,805)
Current income tax liabilities		(1,258)	(1,130)
Derivative financial instruments	16	(86)	-
Provisions for liabilities	17	(643)	(1,436)
		(31,422)	(76,084)
Net current assets		33,412	31,111
Total assets less current liabilities		41,384	39,589
Creditors: amounts falling due after more than one year			
Borrowings	14	(1,527)	(2,240)
Post-employment benefits	18	(4,309)	(7,467)
Provisions for liabilities	17	(6,703)	(8,606)
		(12,539)	(18,313)
Net assets		28,845	21,276
Equity			
Called up share capital	19	5,830	5,830
Retained earnings		23,015	15,446
Total shareholders' funds		28,845	21,276

Deferred tax is reported as a current asset in 2018. Accordingly, 2017 balances relating to fixed assets, current assets, and net current assets have been restated.

Statement of financial position (continued)

As at 31 December 2018

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 11 to 47 were authorised for issue by the board of directors on 7 August 2019 and were signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long horizontal stroke.

A R Clark
Director

Statement of changes in equity
For the year ended 31 December 2018

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 January 2017	5,830	5,855	11,685
Profit for the financial year	-	6,032	6,032
Other comprehensive income for the year	-	3,559	3,559
Total comprehensive income for the year	-	9,591	9,591
Balance as at 31 December 2017	5,830	15,446	21,276
Balance at 1 January 2018	5,830	15,446	21,276
Profit for the financial year	-	4,061	4,061
Other comprehensive income for the year	-	3,508	3,508
Total comprehensive income for the year	-	7,569	7,569
Balance as at 31 December 2018	5,830	23,015	28,845

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 31 December 2018

1. General Information and statement of compliance

The principal activities of the Company are the provision of multinational design and engineering consultancy services.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is:

Arcadis House
34 York Way
London N1 9AB

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 years presented, unless otherwise stated.

2.1 Basis of preparation

The individual financial statements of Arcadis Consulting (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101"). The financial statements have been prepared under the historical cost convention modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss, in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant notes.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, *Share-based payment* (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, *Financial Instruments: Disclosures*.
- 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).

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- The following paragraphs of IAS 1, *Presentation of financial statements*:
 - i. 10(d) (statement of cash flows);
 - ii. 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - iii. 16 (statement of compliance with all IFRS);
 - iv. 38A (requirement for minimum of two primary statements, including cash flow statements);
 - v. 38B-D (additional comparative information);
 - vi. 40A-D (requirements for a third statement of financial position);
 - vii. 111 (cash flow statement information); and
 - viii. 134-136 (capital management disclosures).
- IAS 7, *Statement of cash flows*.
- Paragraphs 30 and 31 of IAS 8, *Accounting policies, changes in accounting estimates and errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraphs 17 and 18A of IAS 24, *Related party disclosures* (key management compensation and key management services provided by a separate management entity).
- The requirements in 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.
- Paragraphs 130(f)(ii), 130 (f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, *Impairment of assets* (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).

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.

2.3 Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. 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 14.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.4 New standards, amendments and interpretations adopted by the Company

IFRS 9 is a new accounting standard that is effective for the current year ended 31 December 2018, however the effect of expected credit losses on intercompany receivables resulting from the application of IFRS 9 are not material to the Company. No other new accounting standards, amendments or IFRIC interpretations, that are effective for the first time for the year ended 31 December 2018 (including IFRS 15), have had a material impact on the Company.

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 is a wholly-owned subsidiary of its intermediate parent Arcadis Consulting Europe Limited and of its ultimate parent, Arcadis N.V. It is included in the consolidated financial statements of Arcadis N.V. which are publicly available.

Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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 2018 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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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.

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 assets and depreciation

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 within fixtures and fittings	Over the period of the lease or break clause date
Computer hardware, equipment, fixtures and fittings	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 they 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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.11 Tangible assets and depreciation (continued)

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 income statement 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 statement 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.

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 other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) Financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

(c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL)

- Debt investments that do not qualify for measurement at either amortised cost (see note 2.5(a) and (b) above.
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

2.14 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.

2.15 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 statement within operating expenses in the statement of comprehensive income.

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.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

2.16 Creditors

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.16 Creditors (continued)

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

2.17 Investment in subsidiaries

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

2.18 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.

2.19 Acquisition of trade and assets

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

2.20 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 those earned and are included in payables.

2.21 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.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.22 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.

2.23 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 income statement.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.24 Current and deferred income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 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.

2.26 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.

2.27 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.

2.28 Dividend income

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

2.29 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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.30 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

Where appropriate, 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.

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. A portion of the liability has been capitalised during 2018, and the remainder of the liability is being charged to profit and loss over the remaining life of the lease. The provisions are expected to be utilised by 2026 as the leases terminate.

2.31 Share-based payments

Equity-settled share-based incentives are provided to certain employees by Arcadis N.V., the Company's ultimate controlling parent company. 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.

2.32 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. 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.

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 10 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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.32 Critical accounting estimates and assumptions (continued)

(c) Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain individuals who provide services to the Company. 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 18 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.

3. Turnover

Analysis of turnover by geography

	2018 £'000	2017 £'000
United Kingdom	183,047	150,164
Europe	703	248
Middle East	2,484	524
Rest of World	488	151
	186,722	151,087

Notes to the financial statements (continued)

For the year ended 31 December 2018

4. Operating profit

This has been stated after charging/(crediting):

	2018 £'000	2017 £'000
Staff costs (note 5a)	114,352	91,205
Depreciation of property, plant and equipment	1,746	1,539
Amortisation of intangibles	322	243
Operating lease charges	4,571	3,336
Impairment of trade receivables (note 13)	258	126
Foreign exchange losses	61	33
Loss on disposal of property, plant and equipment (note 10)	274	20
R&D tax credit	(309)	(340)

Auditors' remuneration of £0.1m (2017: £0.1m) was paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK. No fees were payable to the Company's auditors and its associates for any other services in the current or prior years.

5. Employees and directors

(a) Staff costs

	2018 £'000	2017 £'000
Management charge for staff	114,352	91,205
	114,352	91,205

Staff costs consist of a management charge from Arcadis Human Resources Limited ("AHR") for the provision of staff, of £114.4m (2017: £91.2m). The management charge includes the cost of contributions to defined contribution schemes for the year of £5.7m (2017: £6.0m).

Notes to the financial statements (continued)

For the year ended 31 December 2018

5. Employees and directors (continued)

The monthly average full-time equivalent number of persons (including executive directors) working on projects undertaken by the Company during the year was:

	2018 Number	2017 Number
By activity		
Technical	1,343	1,169
Management and administration	161	176
	<u>1,504</u>	<u>1,345</u>

(b) Directors' remuneration

	2018 £'000	2017 £'000
Aggregate emoluments (including benefits in kind)	-	-
Contributions to defined benefit schemes	-	-

The directors are remunerated by way of a profit share from a fellow group subsidiary, Arcadis LLP. It is not possible to apportion directors' services to individual entities within the group. Consequently, no recharge to the Company has been made in respect of these costs

One director (2017: one) has benefits accruing under the Company's 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 not accruing to any directors (2017: nil) under a defined contribution scheme.

No directors (2017: nil) received shares under the Long-Term Incentive Plan during the year.

Included within the directors' remuneration above is an amount of £nil (2017: £nil) recharged to fellow group companies for their services.

No directors (2017: nil) exercised share options during the year.

In respect of the highest paid director:

	2018 £'000	2017 £'000
Aggregate emoluments (including benefits in kind and excluding gains on shares and options)	-	-
Contributions to defined benefit schemes	-	-

Notes to the financial statements (continued)

For the year ended 31 December 2018

5. Employees and directors (continued)

No share options were received by the highest paid director under the Long-Term Incentive Plan during the year (2017: nil). No shares were exercised by the highest paid director during the year (2017: nil). The highest paid director has not participated in a defined benefit pension scheme in the year ended 31 December 2018 (2017: nil).

6. Finance costs - net

	2018 £'000	2017 £'000
<i>Interest income:</i>		
Interest on short-term bank deposits	(32)	(4)
Interest income on loans to related parties	(538)	(367)
Other interest income	(14)	(8)
Finance income	(584)	(379)
<i>Interest expenses:</i>		
Bank borrowings	36	32
Net interest expense on pension plan (note 18)	162	352
Provisions – unwinding of discount (note 17)	3	11
Other interest expense	393	259
Finance costs	594	654
Net finance costs	10	275

7. Exceptional items (net)

	2018 £'000	2017 £'000
Exceptional charges		
GMP equalisation – defined benefit pension scheme (note 18)	3,254	-
Impairment of investment in subsidiary	869	-
Disposal of ESR Technology Limited	-	31
	4,123	31
Exceptional income		
Release of professional indemnity provision	(3,176)	-
	(3,176)	-
Net exceptional items	947	31

Notes to the financial statements (continued)

For the year ended 31 December 2018

8. Income tax expense

Tax expense included in profit or loss

	2018 £'000	2017 £'000
Current tax:		
- UK corporation tax on profits for the year	1,195	1,104
- Foreign tax on profits for the year	(83)	-
- Adjustments in respect of prior years	(202)	45
Total current tax	910	1,149
Deferred tax:		
- Origination and reversal of timing differences (note 12)	(224)	477
- Adjustments in respect of prior years	17	11
- Impact of change in UK tax rate (note 12)	13	(74)
Total deferred tax	(194)	414
Tax on profit	716	1,563

Tax expense for the year is lower (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	4,777	7,595
Profit multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	908	1,462
Effects of:		
- Expenses/(income) not deductible for tax purposes	262	81
- Income not subject to tax	(199)	-
- Adjustments in respect of prior years	(185)	56
- Foreign tax	(83)	-
- Remeasurement of deferred tax due to change in UK tax rate	13	(36)
Tax charge	716	1,563

The UK corporation tax rate decreased from 20% to 19% from 1 April 2017. Therefore the rate for the current year (19.00%) is lower than in the prior year (19.25%).

A reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. Deferred tax has been calculated using the tax rates at which underlying temporary differences are expected to unwind.

Notes to the financial statements (continued)

For the year ended 31 December 2018

9. Intangible assets

2018	Software £'000	Total £'000
Cost		
At beginning of year	3,034	3,034
Additions	9	9
At end of year	3,043	3,043
Accumulated amortisation		
At beginning of year	1,738	1,738
Charged for the year	322	322
At end of year	2,060	2,060
Net book value		
At 1 January 2018	1,296	1,296
Movement in the year	(313)	(313)
At 31 December 2018	983	983

Notes to the financial statements (continued)

For the year ended 31 December 2018

10. Property, plant and equipment

2018	Computer hardware £'000	Equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At beginning of year	2,513	483	4,647	7,643
Additions	807	136	1,753	2,696
Disposals	-	(10)	(673)	(683)
At end of year	3,320	609	5,727	9,656
Accumulated depreciation				
At beginning of year	2,033	322	1,880	4,235
Charge for the year	533	84	1,129	1,746
Released on disposal	-	(6)	(403)	(409)
At end of year	2,566	400	2,606	5,572
Net book value				
At 1 January 2018	480	161	2,767	3,408
Movement in the year	274	48	354	676
At 31 December 2018	754	209	3,121	4,084

A loss on disposal of £0.3m (2017: £0.02m) on items in equipment and fixtures and fittings has been recognised in operating costs (note 4).

During the year restoration assets totalling £0.7m have been recognised for the dilapidations liability relating to several leasehold properties. Corresponding provisions have been recognised (see note 17). Depreciation of £0.1m has been charged in the income statement relating to these assets.

Notes to the financial statements (continued)

For the year ended 31 December 2018

11. Investments

	Cost of shares in subsidiary £'000	Provision for impairment £'000	Net book value £'000
At 1 January 2017	3,774	-	3,774
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	3,774	-	3,774

	Cost of shares in subsidiary £'000	Provision for impairment £'000	Net book value £'000
At 1 January 2018	3,774	-	3,774
Additions	-	-	-
Disposals	-	-	-
Impairment charge	-	(869)	(869)
At 31 December 2018	3,774	(869)	2,905

An impairment charge of £0.9m and dividend income of £0.9m have been recognised in the income statement in relation to Cresswell Associates (Environmental Consultants) Limited.

The Company intends to liquidate Cresswell Associates (Environmental Consultants) Limited, Power Systems Project and Consultancy Services Limited, SR3C Management Limited and Arcadis Nuclear Safety and Risk Consultancy Limited in the near future.

The net book value of investments as at 31 December 2018 comprises investments in the subsidiaries listed below. The directors believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements (continued)

For the year ended 31 December 2018

11. Investments (continued)

Subsidiaries

Name	Holding type	Incorporated in	Principal activity	Equity owned	Registered address
Hyder Consulting Overseas Limited	Direct	UK	Holding company	100%	Arcadis House 34 York Way London N1 9AB
SR ³ C Management Limited	Direct	UK	Dormant	100%	Arcadis House 34 York Way London N1 9AB
Power Systems Project & Consultancy Services Limited	Direct	UK	Dormant	100%	Arcadis House 34 York Way London N1 9AB
Cresswell Associates (Environmental Consultants) Limited	Direct	UK	In liquidation	100%	Arcadis House 34 York Way London N1 9AB
Acer Partnerships Limited	Direct	UK	Dormant	100%	Arcadis House 34 York Way London N1 9AB
Sir Bruce White Limited	Direct	UK	Dormant	100%	Arcadis House 34 York Way London N1 9AB
Arcadis Consulting (UK) Filiala Bucuresti SRL	Direct	Romania	Engineering design and consultancy	100%	Tintasului Nr 21 Etaj 1 Sectorul 1 Bucuresti 012165
Hyder Muhendislik Musavirilik Limited Sirketi	Direct	Turkey	Dormant	100%	Kayisdagi Caddesi Karaman Ciftlik Yolu Eston Camlievler Mavicam 12/51 Istanbul (Anatolia) 34752

Notes to the financial statements (continued)

For the year ended 31 December 2018

11. Investments (continued)

Subsidiaries (continued)

Name	Holding type	Incorporated in	Principal activity	Equity owned	Registered address
Arcadis Nuclear Safety and Risk Consultancy Limited	Indirect	UK	Dormant	100%	Arcadis House 34 York Way London N1 9AB
JacksonHyder Limited	Direct	UK	Engineering design and consultancy	50%	30 White House Road Ipswich IP1 5LT
Hyder WSP JV	Direct	Unincorporated	Engineering design and consultancy	50%	Arcadis Cymru House St Mellons Business Park Fortran Road Cardiff CF3 0EY
Faber Maunsell Hyder JV	Direct	Unincorporated	Engineering design and consultancy	50%	1 st Floor Cornerblock 2 Cornwall Street Birmingham B3 2DL
Hyder-Mott MacDonald JV	Direct	Unincorporated	Engineering design and consultancy	50%	Arcadis Cymru House St Mellons Business Park Fortran Road Cardiff CF3 0EY
Hyder Halcrow JV	Direct	Unincorporated	Engineering design and consultancy	50%	Medawar Road Surrey Research Park Guildford Surrey GU2 7AR
CH2M Hyder JV	Direct	Unincorporated	Engineering design and consultancy	40%	227 London Road Worcester WR5 2JG
LTC-Cascade JV	Direct	Unincorporated	Engineering design and consultancy	40%	Elms House 43 Brook Green London W6 7EF

Notes to the financial statements (continued)

For the year ended 31 December 2018

12. Deferred tax assets

	Post- employment benefits £'000	Accelerated capital allowances £'000	Total £'000
At 1 January 2018	1,351	808	2,159
Adjustments in respect of prior years	-	(17)	(17)
<i>(Charged)/credited to profit and loss account:</i>			
Current year (note 8)	229	(5)	224
Impact of change in UK tax rate (note 8)	(14)	1	(13)
	1,566	787	2,353
<i>Credited to other comprehensive expense:</i>			
Current year	(813)	-	(813)
At 31 December 2018	753	787	1,540

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

	2018 £'000	2017 £'000
<i>Amounts falling due within one year:</i>		
Trade receivables	15,791	8,540
Contract assets	15,119	23,097
Amounts owed by group undertakings	-	43,125
Loans to other group undertakings	27,519	26,194
Receivables from other related parties	750	1,084
Prepayments and accrued income	1,757	167
Other receivables	93	94
	61,029	102,301

Notes to the financial statements (continued)

For the year ended 31 December 2018

13. Trade and other receivables (continued)

	2018 £'000	2017 £'000
<i>Amounts falling due after more than one year:</i>		
Prepayments and accrued income	-	-

Trade receivables are stated after provisions for impairment of £0.4m (2017: £0.1m).

Due to the introduction of IFRS 9, provisions for expected credit losses have been recognised for £6k on trade receivables, and £3k on contract assets. Adjustments for expected credit losses have not been entered in opening retained earnings, as immaterial.

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

14. Borrowings

	2018 £'000	2017 £'000
<i>Current:</i>		
Bank loans	713	713
<i>Non-current:</i>		
Bank loans	1,527	2,240

At 31 December 2018 the Company had total borrowings of £2.2m (2017: £3.0m) comprising unsecured bank loans of £1.6m and £0.6m (2017: £2.1m and £0.9m). 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 £1.6m is repayable in 14 equal quarterly instalments whilst the £0.6m loan is repayable in 10 equal quarterly instalments (2017: £2.1m repayable in 18 equal quarterly instalments and £0.9m repayable in 14 equal quarterly instalments).

Notes to the financial statements (continued)

For the year ended 31 December 2018

15. Trade and other payables

	2018 £'000	2017 £'000
<i>Amounts falling due within one year:</i>		
Amounts owed to group undertakings	23,877	67,259
Contract liabilities	3,215	4,538
Accruals and deferred income	1,630	1,008
	<u>28,722</u>	<u>72,805</u>

Amounts due to group undertakings and related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. Derivative financial instruments

	2018 £'000	2017 £'000
Derivative financial instruments	<u>86</u>	<u>(109)</u>

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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

17. Provisions for liabilities

	Legal and similar costs £'000	Vacant properties £'000	Dilapidations – other properties £'000	Total £'000
At 1 January 2017	7,681	1,837	891	10,409
Provided during the year	-	32	697	729
Unused amounts reversed	-	-	-	-
Unwinding of discount	-	11	-	11
Utilised during the year	-	(1,067)	(40)	(1,107)
At 31 December 2017	7,681	813	1,548	10,042
At 1 January 2018	7,681	813	1,548	10,042
Provided during the year	100	-	313	413
Unused amounts reversed	(3,431)	(338)	-	(3,769)
Unwinding of discount	-	3	-	3
Utilised during the year	(200)	(478)	(260)	(938)
Additional liability capitalised during the year	-	-	712	712
Transactions with other group entities	-	-	883	883
At 31 December 2018	4,150	-	3,196	7,346

Analysis of total provisions:

	2018 £'000	2017 £'000
Due within one year	643	1,436
Due after one year	6,703	8,606
	7,346	10,042

Notes to the financial statements (continued)

For the year ended 31 December 2018

17. Provisions for liabilities (continued)

Dilapidations – other properties

The provision relates to repairs and reinstatement costs in respect of the Company's occupied offices. Of the provision £0.6m (2017: £0.6m) is classified as due within one year since the lease end date or break clause date is within the next financial year.

During the year the Company capitalised £0.7m which represents the present obligation to reinstate the leasehold properties. The remainder of the liability is being accrued over the remaining life of the lease. The provision has been recognised at present value and a corresponding asset has been recognised (note 10).

During the year three contracts for leasehold properties were novated to Arcadis Consulting (UK) Limited from other group entities. The provisions as at 31 December 2017 have been transferred to the Company's balance sheet.

Vacant properties

As at 31 December 2018 the Company has assigned its remaining interest in the Manning House leasehold property. Consequently, £0.3m has been credited in the income statement. The Company has guaranteed the lease payments relating to all three floors until June 2022 when the leases terminate in the event the assignee defaults. It is not expected that the guarantee will be utilised.

18. Post-employment benefits

The assets of the Acer Group Pension Scheme 'the 'AGPS'', a defined benefit scheme, are held separately from the assets of the Company and are administered by trustees.

As of 1 January 2017, in conjunction with the transfer of the Company's employees, Arcadis Human Resources Limited replaced Arcadis Consulting (UK) Limited as the sponsoring employer of this scheme (see note 5).

Consequently, during the year the cost of contributions made to the defined contribution scheme by the Company was £nil (2017: £nil) and at 31 December 2018 there were outstanding contributions to this scheme of £nil (2017: £nil).

The AGPS was closed to future benefit accrual on 30 April 2011. The proposed mortality assumptions after retirement have been updated to reflect the neutral basis considered as part of the most recent actuarial valuation of the Scheme, as at 1 April 2017.

An adjustment for GMP equalisation has been included as a past service cost, following the High Court ruling of 26th October 2018 that established the requirement that schemes equalise benefits between men and women. Accordingly, £3.3m has been charged in exceptional items.

The contributions made to the scheme in the year were £2.2m (year ended 31 December 2017: £2.0m), with £0.1m (year ended 31 December 2017: £0.1m) paid to annuitants.

Audit fees for the AGPS amounted to £0.01m for the year (year ended 31 December 2017: £0.01m).

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Post-employment benefits (continued)

The risks of the AGPS are as follows:

(a) Asset volatility

The AGPS liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, this will create a deficit.

The scheme holds a mixture of asset classes including equities, fixed and index-linked gilts, property and hedge funds. This mixture is to provide both the required scheme yield but also to protect the AGPS from changes in bond yields and inflation.

(b) Changes in bond yields

A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the scheme's hedging assets.

(c) Life expectancy

The majority of the AGPS's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the scheme's liabilities.

(d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities, although, in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation. Again, the increase in obligation will be partially offset by an increase in the value of the AGPS's hedging assets.

A comprehensive actuarial valuation of the AGPS, using the projected unit basis, was carried out at 1 April 2017 and updated to 31 December 2018 by a qualified independent actuary. Adjustments to the valuation at that date have been made based on the following assumptions:

	2018	2017
Discount rate	2.90%	2.55%
Retail price inflation (RPI)	3.50%	3.55%
Consumer price inflation (CPI)	2.50%	2.55%
Rate of increase of salaries	n/a	n/a
Rate of increase to pensions in payment:		
- RPI up to a maximum 5%	3.30%	3.35%
- RPI up to a maximum 3%	2.55%	2.55%
- RPI up to a maximum 2.5%	2.20%	2.20%
- CPI up to a maximum 3%	2.25%	2.25%

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Post-employment benefits (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2018 Years	2017 Years
Longevity at age 65 for current pensioners		
- Males	22.4	22.5
- Females	24.4	24.5
Longevity at age 65 for future pensioners		
- Males currently aged 45	24.1	24.3
- Females currently aged 45	26.2	26.3

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase / decrease by 0.5%	Decrease / increase by £17m
Rate of inflation	Increase / decrease by 0.5%	Increase / decrease by £10m
Life expectancy	Increase / decrease by 1 year	Increase / decrease by £7m

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Post-employment benefits (continued)

The assets and liabilities in the scheme at 31 December are:

	2018 £'000	2017 £'000
Equities	45,670	62,763
Bonds	58,811	62,889
Hedge funds	62,685	57,912
Other	19,952	11,614
Total market value of assets	187,118	195,178
Present value of scheme liabilities	(190,890)	(202,046)
Deficit in the scheme	(3,772)	(6,868)
Present value of unfunded liabilities	(537)	(599)
Pension deficit	(4,309)	(7,467)

History of experience gains and losses:

	31 Dec 2018 £'000	31 Dec 2017 £'000	31 Dec 2016 £'000	31 Dec 2015 £'000	31 Dec 2014 £'000
Fair value of scheme assets	187,118	195,178	190,269	153,308	156,725
Present value of scheme obligations	(191,427)	(202,645)	(203,864)	(163,856)	(173,089)
Deficit in the scheme	(4,309)	(7,467)	(13,595)	(10,548)	(16,364)

Experience adjustments on scheme assets:

Amount (£m)	8.3	(6.5)	34.6	(6.0)	15.6
Percentage of scheme assets	4%	3%	18%	4%	10%

Experience adjustments on scheme liabilities:

Amount (£m)	1.3	0.7	(39.7)	9.8	(10.9)
Percentage of scheme liabilities	0.68%	0.35%	19%	6%	6%

Cumulative amount recognised in equity:

Amount (£m)	(22.1)	(31.7)	(25.9)	(20.8)	(24.6)
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The estimated amount of contributions expected to be paid into the AGPS during the year ended 31 December 2019 is £2.0m (2018: 2.0m).

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Post-employment benefits (continued)

Note: At the date of the latest triennial valuation (1 April 2017), the AGPS held assets to the value of £194.6m (1 April 2014: £139.5m). This represented a funding level of 96% of the scheme's accrued liabilities at that date (1 April 2014: 89%).

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2018 £'000	2017 £'000
At 1 January	202,645	203,864
Past service cost – GMP equalisation adjustment	3,254	-
Interest on pension scheme liabilities	5,079	5,584
Remeasurements	(12,588)	2,182
Benefits paid from plan	(6,963)	(8,985)
At 31 December	191,427	202,645

Changes in the fair value of plan assets are analysed as follows:

	2018 £'000	2017 £'000
At 1 January	195,178	190,269
Expected return on scheme assets	4,917	5,232
Remeasurements	(8,311)	6,493
Contributions from employer	2,209	2,085
Benefits paid from plan	(6,875)	(8,901)
At 31 December	187,118	195,178

Amounts recognised in the Income Statement are analysed as follows:

	2018 £'000	2017 £'000
Interest on pension scheme liabilities	5,079	5,584
Expected return on pension scheme assets	(4,917)	(5,232)
Net interest expense (note 6)	162	352
GMP equalisation adjustment (note 7)	3,254	-
Total recognised in the Income Statement	3,416	352

Notes to the financial statements (continued)

For the year ended 31 December 2018

19. Called up share capital

Ordinary shares of 5p each	Number: '000	£'000
Allotted, called up and fully paid		
At 1 January 2017 and 2018	116,591	5,830
Issued during the year	-	-
At 31 December 2017 and 2018	116,591	5,830

All shares rank pari passu in all respects.

20. 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 £1.25m (2017: £2.3m).

21. Capital and other commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings	Other	Land and buildings	Other
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Not later than one year	6,222	355	2,292	722
Later than one year and not later than five years	8,990	107	4,785	533
Later than five years	337	-	-	-
	15,549	462	7,077	1,255

Operating lease charges include recharged amounts from other entities in the group headed by Arcadis UK (Holdings) Limited.

22. 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.

The Company agreed to guarantee the lease payments on the London Manning House property following the assignment to third parties of the leases for all three floors.

Notes to the financial statements (continued)

For the year ended 31 December 2018

23. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Details of directors' remuneration are disclosed in note 5. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly-owned subsidiaries.

The Company had the following transactions with Joint Arrangements:

	2018	2017
	£'000	£'000
Revenue:		
CH2M Hyder JV	4,430	11,604
Hyder Halcrow JV	1,027	2,972
Hyder WSP JV	2,253	3,899
Hyder-Mott MacDonald JV	-	176
JacksonHyder Limited	1,686	1,675
LTC-Cascade JV	21,248	15,088
	30,644	35,414

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

	2018	2017
	£'000	£'000
Receivables:		
CH2M Hyder JV	616	14
Hyder Halcrow JV	14	56
Hyder WSP JV	-	689
JacksonHyder Limited	119	295
LTC-Cascade JV	1	30
	750	1,084

Notes to the financial statements (continued)

For the year ended 31 December 2018

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.

25. Post balance sheet events

A provision for legal costs was increased by £1.0m in June 2019. The provision as at 31 December 2018 is unadjusted.

26. Ultimate parent company

The Company's immediate parent undertaking is Arcadis Consulting Europe Limited. It is part of the UK group headed by Arcadis UK (Holdings) Limited.

The ultimate parent undertaking and controlling party is Arcadis N.V., a company incorporated in the Netherlands.

The smallest group in which the results of the Company are consolidated is that headed by Arcadis UK (Holdings) Limited and the largest group in which the results of the Company are consolidated is that headed by Arcadis N.V.

The consolidated financial statements of Arcadis N.V. are available at: www.arcadis.com.