

**FAITHFUL+GOULD LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**COMPANY REGISTRATION NUMBER 2236832**



# **FAITHFUL+GOULD LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

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# FAITHFUL+GOULD LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016

### Business review and future developments

#### *Nature of the business*

Faithful+Gould Limited (the Company) operates in the transport, property and industrial sectors and is one of the world's largest project and cost consultants. The Company has a diverse external client portfolio and supplies services to third party customers and other members of the group of companies headed by WS Atkins plc (the Group).

The Company has entered into an arrangement to transfer the collection of its debt, and responsibility for paying its creditors, to Atkins Limited in respect of the UK and to Faithful+Gould Pte. Limited in respect of the Company's branch in the United Arab Emirates (the UAE). UK trade receivable and trade payable balances have been transferred to Atkins Limited in exchange for an intercompany balance. In relation to the Dubai branch, trade receivables and trade payables remain in the Company's balance sheet. The Company bears the risk of non-payment of its debt by the external party. Atkins Limited and Faithful+Gould Pte. Limited are indirect wholly owned subsidiaries of WS Atkins plc. The Company's branches in Greece, France, Malta, Oman and Switzerland are responsible for the collection of their own debt and payment of their own creditors. The Company's employees include surveyors, cost and project managers, planners and management consultants.

#### *Objectives of the business and future developments*

The Company's primary objective is to deliver shareholder value through profitable growth with a focus on operational excellence and portfolio optimisation within our sectors and regions.

The UK and Europe business has performed well with a steady stream of work, particularly in higher and further education, as well as commercial property in London and the South East. Our market position in the nuclear sector continues to grow, in particular with our renewed appointment with EDF Energy on the proposed Hinkley Point C. We successfully secured a place on Highways England's Specialist Professional and Technical Services framework.

The Middle East business has had another good year with strong growth in Dubai.

Overall we remain confident for the year ahead despite continued uncertainty in some of our markets. Further details of the objectives and future developments for the Group are disclosed in the WS Atkins plc consolidated Financial Statements for the year ended 31 March 2016.

#### *Principal risks and uncertainties*

We continue to manage a number of potential risks and uncertainties which could have a material impact on our strategic and operational objectives. Many of these risks are common to other companies and we assess them regularly to establish the principal risks and uncertainties for the Group. We continue to assess these risks under two main categories: strategic and operational. Where applicable, we cross-reference principal risks with segment-specific risk. Effective risk management continues to be embedded in our governance framework, which is summarised, along with details of the principal risks and uncertainties faced by the Group, in the Corporate governance report and the Strategic Report sections of the WS Atkins plc Group consolidated financial statements for the year ended 31 March 2016.

### Results and dividends

#### *Revenue*

In the year ended 31 March 2016, the Company's revenue increased by 12.9% to £159.9m.

#### *Operating profit*

Reported operating profit for the year was £15.3m, an increase of £6.2m (67.6%).

#### *Profit after tax*

The profit after tax for the year of £15.9m (2015: £8.5m) is shown in the Statement of Comprehensive Income on page 9.

#### *Cash*

Net funds as at 31 March 2016 were £2.6m (2015: £1.9m). Cash generated from operating activities was £0.6m (2015: used in operating activities £1.9m), representing 4% of operating profit.

In the UK funds are held by either the Company or Atkins Limited. The Company's branches hold their own bank accounts and the funds of the Malta branch are held in the UK.

# FAITHFUL+GOULD LIMITED

## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2016 (2015: £nil).

### Key performance indicators

The Group uses a range of performance measures to monitor and manage the business. Those that are particularly important in monitoring our progress in generating shareholder value are considered key performance indicators (KPIs).

Our KPIs measure past performance and also provide information and context to anticipate future events and, in conjunction with our detailed knowledge and experience of the sectors in which we operate, allow us to act early and manage the business going forward. We track safety, volume, staff turnover, profitability, efficiency, secured workload and capacity.

Revenue, operating profit and margin, and operating cash flow provide indications as to the volume and quality of work we have undertaken. They measure both profitability and the efficiency with which we have turned operating profits into cash.

	2016	2015	change in year
<b>Financial metrics</b>			
Revenue	£159,875k	£141,669k	+12.9%
Operating profit	£15,253k	£9,102k	+67.6%
Operating margin	9.5%	6.4%	+3.1 pp
Operating cash inflow/(outflow)	£582k	(£1,857)k	+131.3%
<b>Work in hand</b>	£123,948k	£94,124k	+31.7%
<b>Safety - AIR</b>	Nil	Nil	n/a
<b>People</b>			
Staff numbers 31 March <sup>(1)</sup>	1,275	1,202	+6.1%
Average staff numbers	1,261	1,158	+8.9%
Staff turnover	11.7%	13.3%	-1.6 pp

(1) Staff numbers are shown on a full time equivalent basis

Work in hand measures our secured workload as a percentage of the budgeted revenue for the next year. Staff numbers and staff turnover are measure of capacity and show us how effective we have been in recruiting and retaining our key resource.

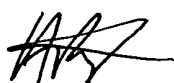
Safety in the workplace and on our project sites is paramount. We track the accident incident rate (AIR) across the Company. The AIR is an industry measure of the number of reportable accidents per 100,000 staff.

As a people business, staff turnover is an important metric for us and shows the rate at which staff choose to leave the Company.

### Corporate sustainability

The Company is committed to acting responsibly towards all its stakeholders, and the Group is committed to taking a leadership position within its sector. The Group's corporate sustainability strategy and performance is published on its website at [www.atkinsglobal.com/corporate-responsibility](http://www.atkinsglobal.com/corporate-responsibility). A summary of the year's activities is included in the WS Atkins plc consolidated financial statements for the year ended 31 March 2016, which is available on the Group website at [www.atkinsglobal.com/investors](http://www.atkinsglobal.com/investors).

Approved by the board of directors and signed on its behalf by:



Helen Baker  
Company Secretary

15 September 2016

## FAITHFUL+GOULD LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

The directors present their annual report on the affairs of Faithful+Gould Limited (the Company), together with the Financial Statements and the Independent Auditor's report, for the year ended 31 March 2016.

As permitted by legislation, the following information and disclosures that are required under company law are included in the Strategic Report and are incorporated into this report by reference:

- review of the performance and future developments of the Company;
- principal risks and uncertainties;
- the amount (if any) that the directors recommend by way of a dividend; and
- branches operated by the Company outside of the United Kingdom.

The Company is domiciled in England and Wales and is a private limited company.

The Company operates in the Middle East through its branches in the United Arab Emirates and Oman. The Company also operates in Europe through branches in Greece, Malta, France and Switzerland. The Company has a subsidiary in the Kingdom of Saudi Arabia.

#### Post balance sheet events

In August 2016, the Company declared an interim dividend of £50,806,406.

#### Financial instruments


Details on the use of financial instruments and financial risk management are included in note 2 of these Financial Statements.

#### Treasury policies and objectives

WS Atkins plc's (the ultimate parent company of the Company) Group treasury function manages and monitors external funding and investment requirements and financial risks in support of the Group's corporate objectives. Details of the policies and procedures are set out in WS Atkins plc's consolidated Financial Statements for the year ended 31 March 2016. Details of the Company's financial risks and management policies are in note 2 of the Financial Statements.

#### Critical accounting policies

The Company's principal accounting policies are described in note 1 to the Financial Statements. The Financial Statements for the year ended 31 March 2016 have been prepared under International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), the Companies Act 2006 as it applies to companies reporting under IFRS, and IFRS Interpretations Committee (IFRS IC or IFRIC) applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preparation of the Financial Statements are in relation to contract accounting, including recoverability of receivables, and impairment of investments. These critical accounting policies are described in more detail in note 1 to the Financial Statements and been annotated with .

## FAITHFUL+GOULD LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### Directors

The directors who served during the year and up to the date of signing these Financial Statements are included in the table below.

Name	Appointed	Resigned
Breen, Peter Anthony Desmond	27 May 2003	30 September 2015
Brooks, Adam	27 May 2003	-
Clemson, Neil William	27 May 2003	-
Constable, Andrew Stephen	15 November 1999	-
Cullens, James	01 July 2014	-
Drewett, Heath Stewart	19 June 2009	-
Gould, John Alexander	01 February 2012	-
Gray, Nicholas Kenneth	27 May 2003	-
Green, Andrew Clifford	08 January 2001	-
Lawson, Donald Arthur	12 July 1995	-
Sealy, Jonathan Mark	27 May 2003	-
Sowerby, Mark Andrew	31 March 2003	-
Wood, John	27 May 2003	-

#### Indemnification of and insurance cover for directors and officers

Directors and officers of the Company benefit from directors' and officers' liability insurance cover in respect of legal actions brought against them. In addition, directors of the Company are indemnified in accordance with Article 80 of the Company's articles of association to the maximum extent permitted by law, such indemnities being qualified third party indemnities. Neither the insurance nor the indemnities provide cover where the relevant director or officer has acted fraudulently or dishonestly.

#### Directors' remuneration

Directors' remuneration has been disclosed in note 5 of the Financial Statements.

#### People

##### Engagement

Ensuring our people feel valued and motivated at work underpins our ethos and supports our strategy for growth. We know there is always room for improvement, therefore, we ask our people what they think and then involve them in our plans for change.

Every year we ask our employees to participate in our Viewpoint employee engagement survey. The survey comprises a series of strategically important themed questions, aligned to a pre-defined engagement mode which measures our people's relationship with management, how they feel about their jobs and the Group.

Group results are communicated within our business and via our Group wide intranet to ensure our people understand the key feedback themes and are confident that actions will be taken as a result of the survey.

Day to day, the Group maintains regular communication with our employees through a range of digital media with content relating to Group client wins, project successes, thought leadership and stories about our people all available on our Group wide intranet. The Group supplements online channels with face to face town hall meetings and line manager team briefings. To coincide with the announcement of the Group's financial results, we provide updates on Group performance via webinar for senior management and video for all colleagues.

## FAITHFUL+GOULD LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### People (continued)

##### *Diversity*

We are committed to building a diverse organisation to maximise the skills available to us in the regions in which we operate. Policies have been adopted to ensure this commitment is implemented from the point of attraction and recruitment and continues throughout an individual's employment. Our people are supported to develop to their full potential regardless of sex, race, age, religion or belief, disability, sexual orientation, gender identity, marriage and civil partner status, pregnancy, parental obligations or background, subject to the laws of the jurisdictions in which we work.

The Group encourages recruitment, training, career development and promotion on the basis of aptitude and ability, without regard to disability. We are also committed to retain and retrain, as necessary, employees who become disabled during the course of their employment.

##### *Employee share ownership*

Employee share ownership is encouraged across the Group to align the interests of our employees and our shareholders and to enable our employees to share in the success of the Group. In the UK, the Group operates a share incentive plan (SIP) that provides a tax-efficient mechanism for employees to become shareholders through salary sacrifice arrangements. Approximately 12.5% of eligible Group employees participate in the SIP.

##### *Political donations and expenditure*

The Company made no political donations and incurred no political expenditure during the year ended 31 March 2016 (2015: £nil).

##### *Share capital*

Full details of the Company's issued share capital, including changes during the year, can be found in note 18 of these Financial Statements.

##### *Directors' statement of responsibility*

The directors are responsible for preparing the Directors' and Strategic Reports and the Financial Statements in accordance with applicable law and regulations. Detailed below are statements made by the directors in relation to their responsibilities, disclosure of information to the Company's auditor and going concern.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Company's Financial Statements in accordance with applicable law and IFRSs as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements.

## FAITHFUL+GOULD LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### Directors' statement of responsibility (continued)

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 that enable them to ensure that the Directors' and Strategic Reports and Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the Company consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the directors, whose names are listed in the Directors' Report, confirms that, to the best of his/her knowledge:

- the Company's Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' Report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

#### Disclosure of audit information

The directors confirm that, as at the date this report was approved, so far as each director is aware, there is no relevant audit information of which the Company's independent auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's independent auditor is aware of that information.

#### Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Financial Statements.

Approved by the board of directors and signed on its behalf by:



Helen Baker  
Company Secretary  
15 September 2016



## FAITHFUL+GOULD LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAITHFUL+GOULD LIMITED

#### Report on the Financial Statements

##### *Our opinion*

In our opinion, Faithful+Gould Limited's (the Company) Financial Statements (the Financial Statements):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with the (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### *What we have audited*

The Financial Statements comprise:

- the Balance Sheet as at 31 March 2016;
- the Income Statement for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows 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 applicable law and IFRSs as adopted by the European Union.

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.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, 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.

#### 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.

#### Responsibilities for the financial statements and the audit

##### *Our responsibilities and those of the directors*

As explained more fully in the Directors' Statement of Responsibility set out on pages 5 and 6, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

**FAITHFUL+GOULD LIMITED****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
FAITHFUL+GOULD LIMITED (CONTINUED)**

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*

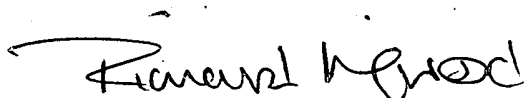
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. 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.



Richard Lingwood (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne

15 September 2016

# FAITHFUL+GOULD LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £k	2015 £k
Revenue		159,875	141,669
Cost of sales		(104,701)	(96,617)
Gross profit		55,174	45,052
Administrative expenses		(39,921)	(35,950)
Operating profit	3	15,253	9,102
Income from shares in Group undertakings	6	1,784	-
Profit before interest and tax		17,037	9,102
Finance income	7	34	26
Finance costs	7	(78)	(46)
Net finance costs	7	(44)	(20)
Profit before tax		16,993	9,082
Income tax expense	8	(1,049)	(586)
Profit for the year		15,944	8,496

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	2016 £k	2015 £k
Profit for the year	15,944	8,496
Other comprehensive income		
Net differences on exchange	582	821
Other comprehensive income for the year	582	821
Total comprehensive income for the year	16,526	9,317

Items in the statement above are disclosed net of tax.

The notes on pages 13 to 31 are an integral part of these Financial Statements.

# FAITHFUL+GOULD LIMITED

## BALANCE SHEET AS AT 31 MARCH 2016

	Note	2016 £k	2015 £k
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	10	2,257	2,257
Plant and equipment	11	8	5
Investments	12	61	61
Deferred income tax assets	13	67	145
		<b>2,393</b>	<b>2,468</b>
<b>Current assets</b>			
Trade and other receivables	14	140,180	102,088
Cash and cash equivalents	15	2,640	1,865
		<b>142,820</b>	<b>103,953</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	(51,643)	(29,566)
Current income tax liabilities		(254)	(242)
		<b>(51,897)</b>	<b>(29,808)</b>
<b>Net current assets</b>		<b>90,923</b>	<b>74,145</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	17	(5,242)	(5,065)
		<b>(5,242)</b>	<b>(5,065)</b>
<b>Net assets</b>		<b>88,074</b>	<b>71,548</b>
<b>Capital and reserves</b>			
Ordinary shares	18	100	100
Retained earnings		87,974	71,448
<b>Total equity</b>		<b>88,074</b>	<b>71,548</b>

Company number 2236832

The Financial Statements on pages 9 to 31 were approved by the board of directors on 15 September 2016 and signed on its behalf by:



Heath Drewett  
Director

The notes on pages 13 to 31 are an integral part of these Financial Statements.

# FAITHFUL+GOULD LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £k	2015 £k
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	20	(582)	(1,857)
Interest received		34	26
Interest paid		(78)	(46)
Income tax paid		(959)	(980)
<b>Net cash used in operating activities</b>		<b>(1,585)</b>	<b>(2,857)</b>
<b>Cash flows from investing activities</b>			
Purchases of plant and equipment		(6)	(5)
Dividends received		1,784	-
<b>Net cash generated from/(used in) investing activities</b>		<b>1,778</b>	<b>(5)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>193</b>	<b>(2,862)</b>
Cash and cash equivalents at beginning of year		1,865	3,906
Exchange movements		582	821
<b>Cash and cash equivalents at end of year</b>	15	<b>2,640</b>	<b>1,865</b>

The notes on pages 13 to 31 are an integral part of these Financial Statements.

# FAITHFUL+GOULD LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Ordinary shares £k	Retained earnings £k	Total equity £k
Balance at 1 April 2014	100	62,131	62,231
Profit for the year	-	8,496	8,496
Other comprehensive income for the year	-	821	821
Total comprehensive income for the year	-	9,317	9,317
Balance at 31 March 2015	100	71,448	71,548
Profit for the year	-	15,944	15,944
Other comprehensive income for the year	-	582	582
Total comprehensive income for the year	-	16,526	16,526
<b>Balance at 31 March 2016</b>	<b>100</b>	<b>87,974</b>	<b>88,074</b>

The notes on pages 13 to 31 are an integral part of these Financial Statements.

## FAITHFUL+GOULD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 1 Accounting policies

The Company is a private company limited by shares incorporated and domiciled in England and Wales and its registered office is Woodcote Grove, Ashley Road, Epsom, Surrey, KT18 5BW, England.

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, including the application of new IFRSs standards and interpretations, unless otherwise stated.

#### Basis of preparation

The Financial Statements of the Company have been prepared in accordance with IFRSs as adopted by the European Union (EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS Interpretations Committee standards (IFRS IC) applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS 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 higher degree of judgement or complexity or areas where assumptions and estimates are significant to the Financial Statements, are disclosed under critical accounting policies in the Financial Performance Review on page 127 of the WS Atkins plc consolidated Financial Statements for the year ended 31 March 2016 and are incorporated by reference in the Directors' Report of the Company.

#### Changes in accounting disclosure

##### *New and amended standards adopted by the Company*

There were no standards adopted by the Company for the first time for the financial year beginning on 1 April 2015 that had a material impact on the Company.

The following IFRS and international accounting standards (IASs) and IFRIC interpretations have been adopted by the Company for the first time for the financial year beginning on 1 April 2015 and do not have a material impact on the Company:

- Amendments to the following standards:
  - IAS 19, Defined benefit plans: Employee contributions

##### *New standards and interpretations not yet adopted by the Company*

The following accounting standards, interpretations and amendments have been issued by the IASB but had either not been adopted by the EU or were not yet effective in the EU for the financial year beginning 1 April 2015:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRS 16, Leases
- Amendments to the following standards:
  - IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture
  - IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the consolidation exemption
  - IFRS 11, Accounting for acquisitions of interests in a joint operation
  - IAS 1, Disclosure initiative
  - IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation
  - IAS 27, Equity method in separate financial statements

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 1 Accounting policies (continued)

#### Changes in accounting disclosure (continued)

The Company is currently assessing the impact of the new standards, amendments and interpretations that are not yet effective. The Company does not currently believe adoption of these would have a material impact on the results or financial position of the Company.

The directors have made initial assessments of the impact of IFRS 15 and IFRS 9 and do not expect any material quantitative impact on the Company. The impact of IFRS 16, which was issued in January 2016, is currently being assessed. The Company will carry out a systematic review of all existing major contracts to ensure that the impact and effect of the new standard is fully understood and changes to the current accounting procedures are highlighted and acted upon in advance of the effective date.

The Company has chosen not to adopt any of the above standards and interpretations earlier than required.

#### Going concern

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

#### Basis of consolidation

The Company is an indirect wholly-owned subsidiary of WS Atkins plc and is included in its consolidated Financial Statements which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under section 400 of the Companies Act 2006 and IAS 27, *Consolidated and Separate Financial Statements*.

#### Foreign currency transactions and translation

##### *Functional and presentation currency*

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in pounds sterling (£), which is the Company's presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income.

##### *Branches*

The results and financial position of all Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.



## FAITHFUL+GOULD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 1 Accounting policies (continued)

##### Revenue

Revenue from long term contracts comprises the value of work performed during the period calculated in accordance with the Company's policy for contract accounting set out below. Revenue from other contract activities represents fee income receivable in respect of services provided during the period.

##### ⚙ Revenue recognition and contract accounting

The value of contract work in progress comprises the costs incurred on contracts plus an appropriate proportion of overheads and attributable profit. Fees invoiced on account are deducted from the value of work in progress and the balance is separately disclosed in trade and other receivables as amounts recoverable on contracts, unless such fees exceed the value of the work in progress on any contract in which case the excess is separately disclosed in trade and other payables as fees invoiced in advance.

The Company enters into a number of different forms of contracts with clients, the most common being fixed price lump sum contracts and time and materials contracts based on hourly rates. Some of the fixed price lump sum contracts may be linked to the capital cost of works or a profit/(loss) sharing mechanism.

Revenue is recognised on the majority of the Company's contracts on a percentage completion basis when the outcome of a contract or project can be reasonably foreseen. Under the percentage completion method, the percentage of the total forecast revenue reported at any point in time is calculated based upon the proportion of total costs incurred to date as a percentage of total forecast costs or, in some cases, based upon the estimated physical per cent complete of the total work to be performed under the contract. In some cases, a margin provision is then made, depending on how far progressed each project is and the risk profile of the project. In addition, provision is made in full for estimated losses and, where the outcome of a contract cannot be reasonably foreseen, profit is taken on completion.

The Company's contract accounting policy is central to how the Group values the work it has carried out in each financial year.

The policy requires forecasts to be made on the projected outcomes of projects. These forecasts require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. While the assumptions made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reported results.

##### Interest income

Interest income is recognised on a time apportionment basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

##### Dividend income

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

##### Pre-contract costs

The Company accounts for all pre-contract costs in accordance with IAS 11, *Construction contracts*. Costs incurred before it becomes probable that a contract will be obtained are charged to expenses. Directly attributable costs incurred after that point are recognised in the balance sheet and charged to the income statement over the duration of the contract.

## FAITHFUL+GOULD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 1 Accounting policies (continued)

##### Exceptional items

Exceptional items are disclosed separately in the Financial Statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are items of income or expense that have been shown separately due to the significance of their nature or amount.

##### Retirement benefit schemes

The Company operates a defined contribution scheme. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into separately administered funds. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

The Company accounts for pensions in accordance with IAS 19, Employee benefits. The cost of the defined contribution scheme is charged to operating profit as incurred.

##### Share-based payments

Key employees of the Company participate in a number of share incentive plans involving awards settled in equity of the ultimate holding company, WS Atkins plc, or, in limited circumstances, in cash. These awards are administered on behalf of the Group by a fellow subsidiary undertaking which recharges the costs of awards that relate to other participating companies. Full details of share-based payments are disclosed on pages 185 to 187 of the WS Atkins plc consolidated financial statements for the year ended 31 March 2016.

In accordance with IFRS 2, Share-based payments, the cost of share-based payments is charged to the Group's income statement over the performance and vesting periods of the instruments. The cost is based on the fair value of the awards made at the date of grant adjusted for the number of awards expected to vest. In the case of equity settled awards, the credits associated with the amounts charged to the income statement are included in the Group's retained earnings/accumulated losses until the awards are exercised. In the case of cash settled awards, the credits associated with the amounts charged to the Income Statement are held as a liability in the Group's balance sheet until the awards are transferred, at which point a cash amount (based on the Group's share price at the vesting date) is paid to the employees. Where award are settled by the new issue shares any proceeds received in respect of share options are credited to the Group's share capital and share premium. Where awards are settled in shares held by the Employee Benefit Trusts (EBTs) any proceeds are credited to the Group's retained earnings/accumulated losses.

##### Income tax

Current and deferred income tax are recognised in the income statement for the period except where the taxation arises as a result of a transaction or event that is recognised in other comprehensive income or directly in equity. Income tax arising on transactions or events recognised in other comprehensive income or directly in equity is charged or credited to other comprehensive income or directly to equity 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 and its branches operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred income tax is not accounted for if it arises 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.

## FAITHFUL+GOULD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 1 Accounting policies (continued)

##### 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle balances on a net basis.

No deferred tax is recognised on the unremitted earnings of overseas branches, except where it is known that the earnings will be distributed.

##### Intangible assets

###### Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the fair value of the consideration given for a business over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is stated at cost less impairment.

For the purposes of impairment testing, goodwill acquired in a business acquisition is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### Plant and equipment

Plant and equipment is carried at cost less accumulated depreciation and impairment. Cost comprises purchase price after discounts and rebates plus all directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight line method to write off the cost less residual value of each asset over its estimated useful life of between 3 to 12 years.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

## FAITHFUL+GOULD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 1 Accounting policies (continued)

##### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less impairments. Any impairment is charged to the Income Statement.

##### ✱ **Impairment of investments**

The Company's investments are subject to impairment review both annually and when there are indications that the carrying amount may not be recoverable. The carrying value of each investment is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell.

Determining whether an investment is impaired requires an estimation of the value in use of the investment's cash-generating unit (CGU) or group of CGUs. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the CGU and the application of a suitable discount rate to calculate the present value. The discount rates used are based on the Group's weighted average cost of capital adjusted to reflect the specific economic environment of the relevant CGU.

##### **Financial assets**

###### *Classification*

The Company classifies its financial assets as 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.

###### *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 where the maturity is greater than 12 months after the balance sheet date, in which case they are included as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

###### *Recognition and measurement*

Trade receivables are recognised at original invoice amount less provision for impairment which, due to their short term nature, approximates to their fair value.

##### **Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

UK trade receivables are held by a representative of the Company, Atkins Limited; trade receivables of the Company's branches are held by the Company.

Trade receivables are recognised at fair value. 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 the receivables.

##### **Cash and cash equivalents**

Cash and cash equivalents represent amounts held as petty cash and cash held at bank of the Company's branches. UK funds are held by the Company and by Atkins Limited.

##### **Lease obligations**

###### *Operating leases*

Where the Company acts as lessee in an operating lease arrangement, the lease payments are charged as an expense to the income statement on a straight line basis over the lease term. Lease incentives received are also recognised on a straight line basis over the lease term.

## FAITHFUL+GOULD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 1 Accounting policies (continued)

##### Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

UK trade payables are held by a representative of the Company, Atkins Limited; trade payables of the Company's branches are held by the Company.

Trade payables are recognised at fair value.

##### 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.

##### Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

#### 2 Financial risk management

##### Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the WS Atkins plc board of directors (the Board). Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

These policies are further described within 'Treasury policies and objectives' on page 137 in the notes section of the WS Atkins plc consolidated Financial Statements for the year ended 31 March 2016.

Where individual sensitivities are disclosed below, all other variables are held constant.

##### a) Market Risk

###### i) Foreign exchange risk

The Company operates in a number of international territories. Each of the Company's businesses undertakes a large proportion of its commercial transactions within its local market and in its local functional currency. Foreign exchange risk arises from a small proportion of commercial transactions undertaken in currencies other than the local functional currency and from financial assets and liabilities denominated in currencies other than the local functional currency.

Group policy is for the Company to undertake commercial transactions in its own functional currency whenever possible. When this is not possible, the Group manages its foreign exchange risk from future commercial transactions using appropriate derivative contracts arranged via Group Treasury. Cash flows are reviewed on a monthly basis throughout the duration of projects and the future cover amended as appropriate.

Trade receivables and payables denominated in currencies other than the local functional currency arise from commercial transactions and are therefore largely hedged as part of the process described above; this process is administered by Atkins Limited, a fellow undertaking in the Group. Remaining financial assets and liabilities denominated in currencies other than the local functional currency include bank accounts and intercompany funding balances and are generally unhedged.

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 2 Financial risk management (continued)

#### a) Market Risk (continued)

##### ii) Interest rate risk

The Company's exposure to interest rate risk arises from interest bearing intercompany loan balances and cash and cash equivalents. The majority of these items are at floating rates of interest; changes in the interest rate results in changes in interest-related cash flows. No interest hedging is currently undertaken by the Company. If interest rates for the year to 31 March 2016 had been 10 basis points higher/lower, post-tax profit for the year and for the prior year would not have been materially different.

##### iii) Price risk

Price risk is the risk that a decline in the value of assets adversely impacts the profitability of the Company.

The Company does not have any equity securities in its balance sheet and is not materially exposed to commodity price risk. Certain longer term project and framework contracts include indexation clauses that are applied to unit rates to offset the effect of inflation on input costs over the duration of the agreement. The Company is exposed to price risk to the extent that inflation differs from the index used and forecast project outcomes that form the basis of revenue recognition include an estimate of this risk where it is present.

#### b) Credit Risk

Credit risk is the risk that the Company will suffer financial loss as a result of counterparties defaulting on their contractual obligations.

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions, with the maximum exposure to the risk equivalent to 100% of the carrying value disclosed in the Company's balance sheet at 31 March. The Company does not hold any collateral as security. The Company's policy is that cash should not be concentrated with any one counterparty.

For trade and other receivables, concentration of credit risk is very limited due to the Company's broad customer base. An assessment of credit quality of the customer is made where appropriate using a combination of external rating agencies, past experience and other factors. In circumstances where credit information is unavailable or poor, the risk is mitigated primarily by the use of advance payments resulting in positive cash flows. Exposure and payment performance are monitored closely both at individual project and client level, with a series of escalating debt recovery actions taken where necessary. In view of current economic circumstances, additional management attention remains focussed on the recovery of debtors. There is no recent history of default.

#### c) Liquidity risk

The Company funds its activities through intercompany balances. All Company income is received and all Company expenditure is met by Group. The Group's borrowing facilities include bank facilities and private placement debt.

	2016				
	On demand or within 1 year £k	Between 1 and 2 years £k	Between 2 and 5 years £k	Over 5 years £k	Total £k
Trade payables	2,069	-	-	-	2,069
Amounts due to fellow Group undertakings	16,088	-	-	-	16,088
<hr/>					
	2015				
	On demand or within 1 year £k	Between 1 and 2 years £k	Between 2 and 5 years £k	Over 5 years £k	Total £k
Trade payables	294	-	-	-	294
Amounts due to fellow Group undertakings	933	-	-	-	933

## FAITHFUL+GOULD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 2 Financial risk management (continued)

##### d) Concentrations of financial instruments

The carrying amounts of the Company's financial assets and liabilities, excluding derivative financial instruments, were denominated in the following currencies:

	Financial assets £k	2016 Financial liabilities £k	Financial assets £k	2015 Financial liabilities £k
Sterling	98,475	3,746	80,681	3,817
Euro	639	213	437	165
Swiss Franc	196	869	121	490
United Arab Emirates Dirham	24,429	15,574	7,019	6
Kuwaiti Dinar	2,350	130	1,288	87
Omani Rial	3,638	1,079	3,242	117
<b>Total</b>	<b>129,727</b>	<b>21,611</b>	<b>92,788</b>	<b>4,682</b>

Financial assets consist of trade receivables (net of impairment) and amounts owed by Group undertakings receivables. Financial liabilities consist of trade payables and amounts owed to Group undertakings.

##### Capital risk management

As part of the Group, the Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company maintains or adjusts its capital structure through the payment of dividends to its shareholder and through its intercompany loan balances.

The Company monitors capital on the basis of the ratio of its net debt, net of total deferred tax, to underlying earnings before interest, taxes, depreciation and amortisation (EBITDA). This policy is unchanged from the prior year.

	Note	2016 £k	2015 £k
Total borrowings		-	-
Less: cash and cash equivalents	15	2,640	1,865
Net funds		2,640	1,865
Net deferred tax	13	67	145
<b>Net funds net of deferred tax</b>		<b>2,707</b>	<b>2,010</b>
Profit before interest and tax		17,037	9,102
Add: depreciation	11	3	8
<b>EBITDA</b>		<b>17,040</b>	<b>9,110</b>

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 3 Operating profit - analysis of costs by nature

	Note	2016 £k	2015 £k
<b>Operating profit is arrived at after charging/(crediting)</b>			
Employee benefit costs	4	83,667	70,739
Net foreign exchange losses/(gains)		92	(178)
Depreciation of plant and equipment	11	3	8
Impairment of trade receivables/(reversal of impairment)			
- increase in provisions	14	525	343
- release of provisions	14	(247)	(385)
Payments under operating leases		2,625	2,745

#### Services provided by the Company's auditor

During the year the Company obtained the following services from the Company's auditor:

	2016 £k	2015 £k
Statutory audit of the Company Financial Statements	33	30
Audit of the Financial Statements of Group companies pursuant to non UK legislation	6	15
Total audit services	39	45
Taxation compliance services	15	6
Taxation advisory services	5	10
	20	16
<b>Total</b>	<b>59</b>	<b>61</b>

### 4 Employee benefit costs

The monthly average number of full time equivalent people (including directors) employed by the Company during the financial year, split by activity amounted to:

	2016 Number	2015 Number
Management and administration	135	126
Technical	1,126	1,032
Total	1,261	1,158

The aggregate employee benefit costs of those people amounted to:

	Note	2016 £k	2015 £k
Wages and salaries		73,147	61,412
Social security costs		5,769	5,209
Other pension costs		3,971	3,407
Share-based payments	19	780	711
		83,667	70,739

Redundancy costs of £446k were incurred during the year (2015: £156k).



# **FAITHFUL+GOULD LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016**

### **5 Directors' remuneration**

The directors' aggregate emoluments in respect of their qualifying services were:

	Note	2016 £k	2015 £k
Salaries and other employee benefits		2,044	1,973
Post-employment benefits		202	219
Share-based payments		399	414
		<b>2,645</b>	<b>2,606</b>

Emoluments of the highest paid director:

	Note	2016 £k	2015 £k
Emoluments receivable		537	470

Key management comprises of the directors.

A J Cullens and H S Drewett are directors of WS Atkins plc, the Company's ultimate parent company. A J Cullens, H S Drewett and J A Gould are directors of other Group companies. The services provided by these directors to the Company, and to a number of other companies in the Group, are of a non-executive nature and therefore it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies or their portion of normal staff cost.

None of the directors mentioned above received any emoluments in respect of their qualifying services to the Company during the year (2015: none). The emoluments and key management compensation of these directors are borne by Atkins Limited and are recharged to the Company as part of a management charge. This management charge, which in 2016 amounted to £3,049k (2015: £2,931k), also includes a recharge of administration costs borne by the Group companies on behalf of the Company and it is not possible to identify separately the amount of each of these directors' compensation within this management charge.

All of the other directors were remunerated in full by the Company.

During the year 10 directors received contributions to a money purchase pension scheme (2015: 11).

12 directors exercised options over shares in WS Atkins plc during the year to 31 March 2016 (2015: 10).

The highest paid director of the Company exercised share options during the year and was granted share awards under a long-term incentive plan (LTIP). In prior years a proportion of the emoluments of the highest paid director has been attributed to a fellow Group subsidiary. For the year ended 31 March 2016, all emoluments to this director have been reflected in these financial statements. The contributions to a money purchase scheme in respect of the highest paid director were £42,270 (2015: £41,681).

### **6 Income from shares in Group undertakings**

	2016 £k	2015 £k
Dividends received from Group undertakings	1,784	-

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

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### Net finance costs

	2016	2015
	£k	£k
Interest payable on intercompany balances	(8)	(4)
Other finance costs	(70)	(42)
Finance costs	(78)	(46)
Interest receivable on intercompany loans	34	24
Other finance income	-	2
Finance income	34	26
<b>Net finance costs</b>	<b>(44)</b>	<b>(20)</b>

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### Income tax expense

#### a) Analysis of charge in the year

	2016	2015
	£k	£k
Current income tax		
- current year	825	700
- adjustment in respect of prior years	147	(24)
Deferred income tax (see note 13)		
- origination and reversal of temporary differences	71	(72)
- adjustment in respect of prior years	-	(18)
- effect of changes in tax rates	6	-
Income tax charged to income statement	1,049	586
Profit before tax per income statement	16,993	9,082
<b>Effective income tax rate</b>	<b>6.2%</b>	<b>6.5%</b>

#### b) Factors affecting income tax rate

The income tax rate for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016	2015
	%	%
UK statutory income tax rate	20.0	21.0
Decrease resulting from:		
Expenses not deductible for tax purposes	0.7	3.1
Non taxable dividend income	(2.1)	-
Overseas tax	1.2	1.6
Losses claimed for nil consideration	(14.5)	(18.8)
Adjustment in respect of prior years	0.9	(0.5)
<b>Effective income tax rate</b>	<b>6.2</b>	<b>6.4</b>

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### Dividends

There were no dividends either paid or proposed for the year (2015: £nil).

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 10 Goodwill

	2016 £k	2015 £k
Cost and net book value at 1 April and 31 March	2,257	2,257

#### Impairment test for goodwill

Goodwill is not amortised but is tested for impairment in accordance with IAS 36, *Impairment of assets*, at least annually or more frequently if events or changes in circumstances indicate a potential impairment.

The goodwill is considered to relate to two CGUs.

#### Recoverable amount

The impairment test involves comparing the carrying value of the CGU or group of CGUs to which goodwill has been allocated to their recoverable amount. The recoverable amount of all CGUs has been determined based on value in use calculations. An impairment loss is recognised immediately when the carrying value of those assets exceeds their recoverable amount.

#### Value in use calculations

##### Methodology

The internal value in use calculations use cash flow projections based on the following financial year's budget approved by the Board, which is based on past performance and management's expectations of market developments. The key assumptions in the budget relate to revenue and profit margins. Budgeted revenue is based on management's knowledge of actual results from prior years, along with the existing committed and contracted workload, as well as management's future expectations of the level of work available within the market. Profit margins are based on current margins being achieved in conjunction with economic conditions in the market or country of operation.

The cash flow projections from that budget are extrapolated for the next four years using an estimated growth rate and projected margin for all CGUs, or groups of CGUs. As required by IAS 36, cash flows beyond the five year period are extrapolated based on the long term average growth rate for the primary country in which the CGU operates. The growth rates are derived from the International Monetary Fund's World Economic Outlook published Gross Domestic Product (GDP) growth rates. Projected margins reflect the historical and budgeted performance of the CGU. The projections do not include the impact of future restructuring projects to which the Company is not yet committed.

The cash flows have been discounted using the specific pre-tax discount rates of between 8.9% and 13.1%. The discount rate has been calculated using the WS Atkins plc Group's capital asset pricing model to determine the cost of equity and are adjusted for risks specific to the CGU. The discount rate is revised annually using updated market information.

#### Assumptions

The growth rate and discount rate assumptions used for the internal value in use calculations are as follows:

	2016	2015
Five year growth rate	1.9%-3.0%	1.9%-3.8%
Post five year growth rate	1.8%-3.2%	1.8%-3.8%
Pre-tax discount rate	8.9%-13.1%	8.9%-16.0%

As at 31 March 2016 and 2015, based on these internal valuations, the recoverable value of goodwill required no impairment.

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 11 Plant and equipment

	2016 £k	2015 £k
Cost at 1 April	5	48
Additions	6	5
Disposals	-	(48)
Cost at 31 March	11	5
Accumulated depreciation at 1 April	-	20
Depreciation charge for the year	3	8
Disposals	-	(28)
Accumulated depreciation at 31 March	3	-
<b>Net book value at 31 March</b>	<b>8</b>	<b>5</b>

The depreciation charge for the year of £3k (2015: £8k) is included in administrative expenses in the income statement.

### 12 Investments

	2016 £k	2015 £k
Opening net book value	61	61
Closing net book value	61	61

The directors consider that the carrying amounts of the Company's investments are not less than the value of the underlying assets.

#### Subsidiary undertakings

The following companies were the subsidiary undertakings as at 31 March 2016:

Name	Share class(es) held	% of share class/interests held	Registered office/ principal place of business
Faithful+Gould Saudi Arabia Limited*	SAR1,000 ordinary share	100%	PO Box 56684, Riyadh 11584, Saudi Arabia

\* 90% directly and 10% jointly with WS Atkins International Limited.

The country of incorporation matches the country in which the registered office/principal place of business is located.

#### Significant holdings

The following company was a significant holding as at 31 March 2016:

Name	Share class(es) held	% of share class/interests held	Registered office/ principal place of business
Partnering Plus Limited	£1 ordinary share B	33%	Northshore, North Shore Road, Stockton on Tees, TS18 2NB, England

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 13 Deferred income tax assets

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to settle tax assets and liabilities on a net basis. The offset amounts are as follows:

	2016	2015
	£k	£k
Deferred tax assets:		
- deferred tax assets to be recovered after more than 12 months	18	17
- deferred tax assets to be recovered within 12 months	49	128
	67	145
Deferred tax liabilities:		
- deferred tax liabilities payable within 12 months	-	-
Deferred tax assets (net)	67	145

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.

#### a) Deferred tax assets

	2016	2015
	£k	£k
Accelerated depreciation	22	14
Other temporary differences	45	131
Total deferred income tax	67	145

#### b) Analysis of movements during the year

	2016	2015
	£k	£k
Deferred tax assets at 1 April	145	55
Deferred tax (charged)/credited to the income statement (note 8)	(77)	90
Foreign exchange difference on deferred tax	(1)	-
Deferred tax assets at 31 March	67	145

The Finance Act 2015 enacted reductions to the main rate of UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. As the Finance Act 2015 had been enacted at the balance sheet date, the impact of these reductions has been reflected in the movement in deferred tax as at 31 March 2016. A further reduction in UK corporation tax to 17% from April 2020 (rather than 18% previously announced) had been announced in March 2016 but not substantively enacted at the balance sheet date.

### 14 Trade and other receivables

	2016	2015
	£k	£k
<b>Current assets:</b>		
Trade receivables	5,602	3,367
Less: Provision for impairment of receivables	(678)	(393)
Trade receivables - net	4,924	2,974
Amounts recoverable on contracts	8,531	8,995
Other receivables	459	-
Prepayments and accrued income	126	305
Amounts due from fellow Group undertakings	126,140	89,814
	140,180	102,088

The directors consider that the carrying value of the Company's trade and other receivables approximates their fair value.

# **FAITHFUL+GOULD LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016**

### **14 Trade and other receivables (continued)**

The Company has an agreement with Atkins Limited to collect all of the Company's trade receivables, with the exception of those relating to its branches, in exchange for an intercompany balance. These trade receivables are held at cost which approximates their fair value. The Company bears the risk of non-payment of trade receivables by the external party. The cost of uncollectible trade receivables and the provisions for impairment are charged to the Company.

At 31 March 2016, £14,322k (2015: £12,278k) of the Company's total trade receivables were within normal terms and considered to be fully performing.

At 31 March 2016, £9,421k (2015: £8,816k) of trade receivables were past due date and aged up to six months from invoice date.

Trade receivables aged beyond six months of invoice date totalled £797k (2015: £522k) and carried a provision for impairment of £679k (2015: £393k).

Movements in the Company provision for impairment of trade receivables were as follows:

	2016	2015
	£k	£k
Provision for impairment at beginning of year	(393)	(413)
Increase in provisions	(525)	(343)
Release of provisions	247	385
Receivables written off as uncollectable	1	-
Difference on exchange	(9)	(22)
Provision for impairment at end of year	(679)	(393)

### **15 Cash and cash equivalents**

	2016	2015
	£k	£k
Cash at bank and in hand	2,640	1,865

### **16 Trade and other payables**

	2016	2015
	£k	£k
<b>Current liabilities:</b>		
Trade payables	2,069	294
Fees invoiced in advance	20,360	17,894
Accruals and deferred income	7,676	9,916
Social security and other taxation	574	529
Other payables	4,876	-
Amounts due to fellow Group undertakings	16,088	933
	<b>51,643</b>	<b>29,566</b>

The Company has an agreement with Atkins Limited to settle all of the Company's trade payables, with the exception of those relating to its branches, in exchange for an intercompany balance. These trade payables are held at cost which approximates their fair value.

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 17 Other non current liabilities

	2016	2015
	£k	£k
Other payables	1,787	1,610
Amounts due to fellow Group undertakings	3,455	3,455
	<b>5,242</b>	<b>5,065</b>

The directors consider that the carrying value of the Company's trade and other payables approximates their fair value.

### 18 Ordinary shares

	2016	2015
	Number of shares	Number of shares
	£k	£k
<b>Issued, allotted and fully paid ordinary shares of £1 each</b>		
At 1 April and at 31 March	<b>100,000</b>	<b>100,000</b>

No shares were allotted during the current or prior year.

### 19 Share-based payments

Key employees of the Company participate in a number of share incentive plans involving awards settled in equity of the ultimate holding company, WS Atkins plc, or in limited circumstances, in cash. These awards are administered on behalf of the Group by a fellow subsidiary undertaking which recharges the costs of the awards that relate to other participating companies. Full details of share-based payments are disclosed in note 33 of the WS Atkins plc consolidated financial statements for the year ended 31 March 2016.

Costs amounting to £780k have been charged to the Company during the year in respect of these recharges (2015: £711k).

### 20 Cash generated from/(used in) continuing operations

	Note	2016	2015
		£k	£k
Profit before tax for the period		<b>16,993</b>	9,082
Adjustments for:			
Finance income	7	(34)	(26)
Finance costs	7	78	46
Dividends received	6	(1,784)	-
Depreciation charges	11	3	8
Net loss on disposal of fixed assets	11	-	20
Movement in trade and other receivables		(38,092)	(14,274)
Movement in payables		22,254	3,287
<b>Cash generated from/(used in) continuing operations</b>		<b>(582)</b>	<b>(1,857)</b>

# FAITHFUL+GOULD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 21 Contingent liabilities

On 30 January 2016 the Group amended and extended its five year revolving credit facility (RCF). This £200m facility matures on 30 January 2021. On 11 March 2016 the Group signed an additional RCF of £100m, with a maturity of three years. There is an option to extend this RCF for an additional year with the lenders' permission.

The Company is a guarantor/obligor at 31 March 2016 in respect of these facilities. As at 31 March 2016 the Company was also a guarantor/obligor on the Group's \$75m US private placement debt which is due for repayment on 31 May 2019.

The Company is included in a Group Registration for Value Added Tax purposes and is, therefore, jointly and severally liable for all other Group undertakings' unpaid debts in this connection.

The Company has given indemnities in respect of performance and contractual-related bonds. The indemnities, which arose in the ordinary course of business, are not expected to result in any material financial loss. The Company has given a cross guarantee in respect of fellow subsidiaries' overdraft facilities in the ordinary course of business.

### 22 Operating lease arrangements

The Company leases vehicles, plant and equipment under operating lease arrangements.

	2016	2015
	£k	£k
<b>Lease term:</b>		
No later than one year	2,066	2,203
Later than one year but no later than five years	2,694	2,778
	<b>4,760</b>	<b>4,981</b>

Commitments under operating leases in respect of office space occupied as a tenant of Atkins Limited are declared in the financial statements of Atkins Limited.

### 23 Related party transactions

Details of the Directors' remuneration is disclosed in note 5.

Details of the Company's subsidiary undertakings and significant holdings are shown in note 12.

#### a) Sales and purchases of goods and services

	2016	2015
	£k	£k
Sales of goods and services to other related parties	12,951	12,873
Purchases of goods and services from other related parties	4,318	3,559

#### b) Year-end balances arising from sales/purchases of goods and services and loans provided

	2016	2015
	£k	£k
Receivables from other related parties	126,140	89,814
Payables to ultimate parent undertaking	(3,455)	(3,455)
Payables to other related parties	(16,088)	(933)

Provision of goods and services to and purchases of goods and services from related parties were made at the rates charged to external customers. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provision has been made for doubtful debts in respect of amounts owed by related parties, notwithstanding the provision balance relating to trade receivables held by Atkins Limited, as referred to in note 14.



## FAITHFUL+GOULD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 24 Events occurring after the reporting period

On 1st May 2016, Faithful+Gould Saudi Arabia Limited issued an additional 500 ordinary shares with a value of Saudi Riyals 1,000 per share. As a result of this transaction, Construction Management Company for Contracting (CMCC) is now a shareholder having acquired 490 shares with Faithful+Gould Limited acquiring the remaining 10 shares on issue.

In August 2016, the Company declared an interim dividend of £50,806,406.

#### 25 Ultimate parent undertaking and controlling party

WS Atkins plc, which is registered in England and Wales, is the Company's ultimate parent undertaking and controlling party. The immediate parent undertaking is Faithful+Gould (Holdings) Limited. WS Atkins plc heads the largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

Both WS Atkins plc and Faithful+Gould (Holdings) Limited have their registered office at:

Woodcote Grove  
Ashley Road  
Epsom  
Surrey  
KT18 5BW  
England

Copies of the annual report and financial statements for WS Atkins plc are available at [www.atkinsglobal.com/investors](http://www.atkinsglobal.com/investors) or from the company secretary at the address above or Euston Tower, 286 Euston Road, London, NW1 3AT.

Copies of the financial statements for Faithful+Gould (Holdings) Limited are also available from the company secretary at the address above or Euston Tower, 286 Euston Road, London, NW1 3AT.