

Arcadis International Limited

Annual Report and Financial Statements

Year ended 31 December 2020

Company Number: 02272191



Contents	Page
Strategic Report	2
Directors' Report	4
Independent auditors' report	7
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13

Strategic Report

Strategic Report for the year ended 31 December 2020

The directors present their Strategic Report for the year ended 31 December 2020.

Principal activities

The principal activities of Arcadis International Limited ("the Company"), primarily undertaken outside of the United Kingdom, are that of capital project and facilities consultants. The Company operates, via branches, in Dubai and Abu Dhabi. The Company also acts as an intermediate holding company for certain of Arcadis (BAC) Limited's investments.

Review of the business

The financial results of the Company, set out in the statement of comprehensive income on page 10, show a profit before taxation of £2,555k (2019: £3,409k).

There have been no significant events since the balance sheet date and the directors are not aware, at the date of this report, of any likely changes in the Company's activities in the foreseeable future.

Principal risks and uncertainties

The Board of Arcadis UK (Holdings) Limited (of which Arcadis International Limited is a member), in conjunction with local management, manages risk across the group, including the potential impact on the Company. In particular the Board ensures that, by managing client relationships effectively, income and profit streams are maintained and accordingly the demand for management services is maintained.

Working capital and business funding requirements are managed from available cash resources, or by making use of inter-company facilities as part of the Arcadis N.V. group.

The main financial risks arising from the Company's activities are credit risk, foreign exchange risk and liquidity risk. These are monitored and appropriate mitigating actions put in place as below.

Credit risk

The Company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made. The Company proactively manages its debtors to ensure timely collection and a review of overdue accounts.

Foreign exchange risk

The Company is exposed to foreign exchange risks through the operation of overseas branches. Transaction risk is the effect of exchange rate movements on the settlement of debtors and creditors. Translation risk arises when overseas branch results are converted into the reporting currency for accounting purposes.

Transaction risk is mitigated by operating in local overseas currencies wherever possible. Translation risk is not mitigated by the Company, but is managed at a group level by Arcadis N.V. (the ultimate parent undertaking and controlling party).

Strategic Report (continued)

Liquidity risk

The Company's policy in respect of liquidity risk is to maintain intra-group financing and readily accessible bank deposit accounts to ensure the Company has sufficient funds for operations. The cash deposits are held in a mixture of short-term deposits and current accounts which earn interest at a floating rate.

The Company's significant activities in overseas territories give rise to contract risk.

The majority of our activities are delivered through long term contracts which are structured to limit the Company's exposure to commercial risks. The principal uncertainties are our customers' ability to continue discharging their contractual obligations due to a downturn in their local economic conditions which would adversely affect their markets. The Company strives to diversify its client base so that the loss of any particular client would not have a substantial impact on the Company's viability.

Key performance indicators

The Company uses a number of key performance indicators to understand the development, performance and position of the business. These include:

- Revenue, profitability and cash flows
- The quality, level and conversion rates of the sales pipeline and level of sales order book
- Project results delivered versus plan
- Pricing, size and duration of engagement
- Staff utilisation

These are reported and monitored throughout the year.

Employee policies

The Company recognises the value of its employees and has maintained its policy of communicating and consulting with employees through meetings on matters of concern to them and providing information in particular on the relevant factors affecting the performance of the Company.

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind.

The Company has made and expects to continue its commitment to training and executive education programs for its employees.

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate

On behalf of the board



Director

Irfan Gani

16 February 2022

Directors' Report

Directors' Report for the year ended 31 December 2020

The directors present their Report and the audited financial statements of the Company for the year ended 31 December 2020.

Directors

The directors of the Company who were in office during the year and up to the signing of the financial statements were:

K A R Ibrahim

J.G. IjNtema

Irfan Gani

(resigned on 15 June 2021)

(appointed on 10 June 2021)

Company secretary

CG Jones

Review

The directors are satisfied with the results for the year given the challenging economic environment and the strength of the balance sheet. The statement of comprehensive income is set out on page 10 and shows the profit for the financial year.

Future developments

The outbreak of COVID-19 in early 2020 has affected business and economic activity globally. The range of potential outcomes for the economy have been too difficult to predict and rules implemented in the countries where we operate continue to change to adapt to the dynamic impact of the pandemic response. We have continually monitored the COVID-19 outbreak developments closely and have been implementing contingency plans to mitigate the potential adverse impact on the company's employees' and operations. These includes working from home arrangements for employees with workloads and clients that allow the arrangement in order to comply with rules and regulations in the country of operations, overhead cost management, among others.

There are no other material events affecting the Company to be reported since the year end.

Post balance sheet events

There are no material events affecting the Company to be reported since the year end.

Dividends

The directors do not recommend payment of an ordinary dividend. (2019: £Nil (£Nil per share)).

A dividend of £4,000 (£0.01 per share) (2019: £4,000 (£0.01 per share)) was paid on the 1% convertible cumulative preference shares.

Directors' Report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and Financial Statements 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, 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.

The directors are 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 also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of disclosure of information to auditors

- As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The directors 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 auditors are aware of that information.

Directors' Report (continued)

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Irfan Gani', is positioned above the printed name.

Director
Irfan Gani
16 February 2022

Independent auditors' report to the members of Arcadis International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arcadis International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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: Statement of financial position as at 31 December 2020; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment law, pension regulations, data privacy law and industry regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to potential management bias in accounting estimates and the inappropriate journal posting to manipulate financial results. Audit procedures performed by the engagement team included:

- enquiry of management, those charged with governance and the entity's in-house legal and compliance team around actual and potential litigation and claims;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and testing accounting estimates (because of the risk of management bias)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.



Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 February 2022

Arcadis International Limited

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
			(As restated)
Turnover		20,125	17,791
Cost of sales		(14,153)	(11,982)
Gross profit		5,972	5,809
Administrative expenses		(3,420)	(4,039)
Operating profit	3	2,552	1,770
Profit before interest and taxation		2,552	1,770
Finance income	5	-	3
Finance costs	5	(8)	(10)
Finance costs – net	5	(8)	(7)
Other income		11	1,646
Profit before taxation		2,555	3,409
Tax on profit	6	-	-
Profit for the financial year		2,555	3,409
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on retranslation of overseas branches		(503)	(451)
Other comprehensive loss for the year, net of tax		(503)	(451)
Total comprehensive income for the year		2,052	2,958

All amounts relate to continuing activities during the year.

The above statement of comprehensive income should be read in conjunction with the accompanying notes. The comparative figures were restated to conform with the current year presentation as disclosed in Note 18.

Arcadis International Limited

Statement of financial position as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	7	387	647
Property, plant and equipment	8	53	117
Right-of-Use assets	9	191	258
Investments	10	10	10
		641	1,032
Current assets			
Debtors	11	61,489	47,064
Cash and cash equivalents		652	1,047
		62,141	48,111
Creditors: amounts falling due within one year	12	(46,071)	(34,388)
Net current assets		16,070	13,723
Total assets less current liabilities		16,711	14,755
Creditors: amounts falling due after more than one year	13	(426)	(522)
Net assets		16,285	14,233
Equity			
Called up share capital	14	50	50
Retained earnings		16,235	14,183
Total shareholders' funds		16,285	14,233

The financial statements on pages 10 to 29 were authorised for issue by the board of directors on 16 February 2022 and were signed on its behalf.

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


Irfan Gani
Director

Arcadis International Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 January 2019	50	11,225	11,275
Profit for the financial year	-	3,409	3,409
<i>Other comprehensive expense for the year:</i>			
Exchange differences on retranslation of overseas branches	-	(451)	(451)
Total comprehensive income for the year	-	2,958	2,958
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 December 2019	50	14,183	14,233
Balance at 1 January 2020	50	14,183	14,233
Profit for the financial year	-	2,555	2,555
<i>Other comprehensive expense for the year:</i>			
Exchange differences on retranslation of overseas branches	-	(503)	(503)
Total comprehensive income for the year	-	2,052	2,052
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balance as at 31 December 2020	50	16,235	16,285

Retained earnings represents accumulated comprehensive income for the year and prior years less dividends paid.

No interim dividend was paid on the ordinary shares in 2020 (2019: £Nil (£Nil per share)).

Notes to the financial statements

1 General information

The principal activities are that of capital properties consultants and facilities consultants.

The Company is a private company limited by shares and is incorporated and domiciled in London, in the United Kingdom. The address of its registered office is:

Arcadis House
80 Fenchurch Street
London
United Kingdom
EC3M 4BY

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 financial statements of Arcadis International Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and 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 higher 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; and (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 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).
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- 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).
- Second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15.

2.2 Going concern

The outbreak of COVID-19 in early 2020 has affected business and economic activity globally. The range of potential outcomes for the economy have been too difficult to predict and rules implemented in the countries where we operate continue to change to adapt to the dynamic impact of the pandemic response. We have continually monitored the COVID-19 outbreak developments closely and have been implementing contingency plans to mitigate the potential adverse impact on the company's employees and operations. These includes working from home arrangements for employees with workloads and clients that allow the arrangement in order to comply with rules and regulations in the country of operations, overhead cost management, among others.

The financial statements have been prepared on the going concern basis, with net current assets of £16,070k (2019: net current assets of £13,723k).

The Directors are confident that the Company will continue to operate as a going concern for the foreseeable future.

2.3 New standards, amendments and interpretations adopted by the Company

No other new accounting standards, amendments or IFRIC interpretations, that are effective for the first time for the year ended 31 December 2020, have had a material impact on the Company.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.4 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.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts.

In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.6 Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities (note 2.7).

2.7 Borrowings

Preference shares, which do not have a redemption entitlement, have mandatory dividend payments paid annually in arrears and are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 Current and deferred income tax

The tax expense for the period only comprises current 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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.9 Current and deferred income tax(continued)

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.

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.

2.10 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.

2.11 Cash flow statement

A cash flow statement is not required at 31 December 2020 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.

2.12 Interest income

Interest income is recognised using the effective interest method.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Company leases certain property to facilitate its operations.

2.14 Dividend distribution

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

2.15 Foreign currency translation

(a) 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 Company operates ('the functional currency').

The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

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 as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income.'

2.16 Intangible assets

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

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

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.16 Intangible assets (continued)

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

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

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

2.17 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Motor vehicles - 20%
- Leasehold improvements – 20% - 33%
- Furniture, fittings and equipment - 20% - 33%

The assets' residual values and 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 (note 8).

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

2.18 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.19 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 9 for the carrying amount of each property, plant and equipment.

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

The Company makes an estimate of the recoverable value of trade receivables, amounts recoverable on contracts and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 10 for the net carrying amount of the receivables and associated provision. Provisions against amounts due on long-term contracts are made on a specific basis, based on estimates of recoverability, determined by market knowledge and past experience.

(c) 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.

Notes to the financial statements (continued)**3 Operating profit**

This has been stated after charging/(crediting):

	2020 £'000	2019 £'000
Staff costs (note 4)	11,921	13,447
Depreciation of property, plant and equipment	79	76
Amortisation of intangible asset	257	257
Depreciation of right-of-use assets	132	127
Impairment /(Reversal of) of group trade receivables	291	(777)
Audit fees payable to the Company's auditors	44	52

4 Employees and directors**Employees**

	2020 £'000	2019 £'000 (restated)
Staff costs (note 3) consist of:		
Wages and salaries	11,165	13,132
Other pension costs	756	316
	<u>11,921</u>	<u>13,448</u>

The average number of monthly staff employed by the Company overseas in the year was 124 (2019: 136).

The comparative figures for 2019 were restated to conform to the current year presentation. Other pension costs amounting to £304k that were previously classified as part of wages and salaries were reclassified to 'Other pension costs' and £2,160k of reversal of management fees from related parties were reclassified out of wages and salaries.

All of the Company's staff (including three directors) are employed and paid by branches located in the UAE.

Directors

	2020 £'000	2019 £'000
Directors' remuneration consists of:		
Emoluments	-	-

Notes to the financial statements (continued)

5 Interest income and expense

Finance income

	2020 £'000	2019 £'000
Bank interest	-	-
Interest receivable from Group undertakings	(1)	3
Total finance income	<u>(1)</u>	<u>3</u>

Finance expense

	2020 £'000	2019 £'000
Dividend on preference shares (note 15): 1p (2019: 1p) per share	(4)	(4)
Interest expense on lease liability (included in finance cost)	(3)	(6)
Total finance expense	<u>(7)</u>	<u>(10)</u>

Net finance cost

	2020 £'000	2019 £'000
Interest income	-	3
Interest expense	(8)	(10)
Net finance cost	<u>(8)</u>	<u>(7)</u>

No borrowing costs have been capitalised during the year.

Notes to the financial statements (continued)**6 Tax on profit**

Tax credit included in Statement of comprehensive income

	2020	2019
	£'000	£'000
Current tax:		
- UK corporation tax on loss of the year	-	-
- Foreign tax on loss of the year	-	-
- Adjustments in respect of prior years	-	-
Total tax credit	<u>-</u>	<u>-</u>

Tax charge for the year is same (2019: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (2019: 19.00%). The differences are explained below:

	2020	2019
	£'000	£'000
Profit before taxation	<u>2,555</u>	<u>3,409</u>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%)	485	648
Effects of:		
- Branch profit not taxable in the UK	(486)	(649)
- Expenses not deductible for UK tax purposes	<u>1</u>	<u>1</u>
Tax credit	<u>-</u>	<u>-</u>

The UK corporation tax rate decreased from 20% to 19% from 1 April 2018. Therefore the rate for the current year (19.00%) is the same as in the prior year (19 %).

A reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. A decision has been taken to cancel this reduction and maintain the UK corporation tax rate at 19%. This cancellation was substantively enacted on 17 March 2020. Legislation was enacted in June 2021 to increase the UK corporation tax rate from 19.0% to 25.0% with effect from 1 April 2023 and its effects were included in these financial statements.

Notes to the financial statements (continued)**7 Intangible assets**

	£'000
Cost	
At 1 January 2019	1,304
Exchange adjustment	(50)
At 31 December 2019	<u>1,254</u>
Additions	-
Disposals	-
Exchange adjustment	(37)
At 31 December 2020	<u>1,217</u>
Accumulated amortisation	
At 1 January 2019	372
Disposals	-
Charge for the year (Note 3)	257
Exchange adjustment	(22)
At 31 December 2019	<u>607</u>
Disposals	-
Charge for the year (Note 3)	257
Exchange adjustment	(34)
At 31 December 2020	<u>830</u>
Net book value as at 31 December 2020	<u>387</u>
Net book value as at 31 December 2019	<u>647</u>
Net book value	
At 1 January 2020	647
Movement in the year	(260)
At 31 December 2020	<u>387</u>
At 1 January 2019	932
Movement in the year	(285)
At 31 December 2019	<u>647</u>

Notes to the financial statements (continued)

8 Property, plant and equipment

	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Leasehold improve- ments £'000	Total £'000
Cost				
At 1 January 2019	30	461	-	491
Additions	-	43	-	43
Write-off	-	(60)	-	(60)
Reclassification	-	(293)	293	-
Exchange adjustment	(5)	(9)	(8)	(22)
At 1 January 2020	25	142	285	452
Additions	-	14	-	14
Exchange adjustment	-	(3)	(9)	(12)
At 31 December 2020	25	153	276	454
Accumulated depreciation				
At 1 January 2019	(30)	(306)	-	(336)
Charge for the year (Note 3)	-	(76)	-	(76)
Write-off	-	60	-	60
Reclassification	-	219	(219)	-
Exchange adjustment	5	6	6	17
At 1 January 2020	(25)	(97)	(213)	(335)
Charge for the year	-	(20)	(59)	(79)
Exchange adjustment	-	7	6	13
At 31 December 2020	(25)	(110)	(266)	(401)
Net book value	-	43	10	53
Net book value				
At 1 January 2020	-	45	72	117
Movement in the year	-	(2)	(62)	(64)
At 31 December 2020	-	43	10	53
At 1 January 2019	-	155	-	155
Movement in the year	-	(110)	72	(38)
At 31 December 2019	-	45	72	117

Notes to the financial statements (continued)**9 Leases**

The balance sheet shows the following amounts relating to leases:

	£'000	
Right-of-use assets – Buildings		
At 1 January 2020		381
Remeasurements		(31)
Exchange adjustment		(9)
At 31 December 2020		<u>341</u>
Accumulated depreciation		
As at 1 January 2020		123
Charge for the year (Note 3)		132
Remeasurements		(99)
Exchange adjustment		(6)
At 31 December 2020		<u>150</u>
Right-of-use assets - Net		
At 31 December 2020		<u>191</u>
At 31 December 2019		<u>258</u>
Lease liabilities	2020	2019
	£'000	£'000
Current	103	114
Non-current	26	122
	<u>129</u>	<u>236</u>
Maturity analysis – contractual undiscounted cash flows		
Less than one year	<u>103</u>	<u>179</u>
One to five years	<u>26</u>	<u>104</u>
Total undiscounted lease liability at 31 December	<u>129</u>	<u>283</u>
(i) Amount recognised in the statement of profit or loss:		
Depreciation charge of right-of-use assets	<u>132</u>	<u>127</u>
Interest expense on lease liability (included in finance cost)	<u>3</u>	<u>6</u>

Notes to the financial statements (continued)**10 Investments****Jointly controlled entities**

	2020	2019
	£'000	£'000
At 1 January	10	10
At 31 December	10	10

Jointly controlled entities

Company Name	Holding	Incorporated in	Principal Activity	Equity Owned	Registered address
Sama - ECH LLC	Direct	UAE	Dormant	49%	Level 6 Emirates Towers PO Box 72527 Dubai United Arab Emirates

11 Debtors

	2020	2019
	£'000	£'000
Trade receivables	1,924	2,172
Amounts owed by group undertakings	57,376	42,723
Other receivables	356	300
Prepayments and accrued income	1,832	1,869
	61,488	47,064

All amounts shown under debtors fall due for payment within one year.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade receivables are stated after provisions for impairment of £832k (2019: £576k).

Notes to the financial statements (continued)**11 Debtors (continued)**

During the year, the following impairment loss were recognised in profit or loss in relation to financial and contract assets:

	2020 £'000	2019 £'000
Loss allowance 1 January	576	1,650
Movement in loss allowance for trade receivables and contract assets	291	(777)
Exchange adjustment	(35)	(297)
	<u>832</u>	<u>576</u>

The above impairment losses relate to receivables and contract assets arising from contracts with customers.

12 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	104	83
Amounts owed to group undertakings	41,371	28,677
Other creditors	3,134	3,065
Lease liabilities	103	114
Accruals and deferred income	1,359	2,449
	<u>46,071</u>	<u>34,388</u>

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

13 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Preference shares (note 14)	400	400
Lease liabilities	26	122
	<u>426</u>	<u>522</u>

Notes to the financial statements (continued)**14 Called up share capital****Equity****Ordinary shares of £1 each**

	Number	£'000
Allotted, called up and fully paid		
At 1 January 2019 and 2020	50,000	50
Issued during the year	-	-
At 31 December 2019 and 2020	<u>50,000</u>	<u>50</u>

Long-term liabilities**Preference shares of £1 each**

	Number	£'000
Allotted and fully paid		
At 1 January 2019 and 2020	400,000	400
Issued during the year	-	-
At 31 December 2019 and 2020	<u>400,000</u>	<u>400</u>

The preference shares are classified as liabilities in the statement of financial position.

The preference shares are 1% convertible cumulative preference shares. The preference shares carry the right to a preference dividend of 1% per annum ahead of any dividend being paid on the ordinary shares. They have no rights to any other income.

On winding up, preference shareholders have priority ahead of the ordinary shares to receive repayment of capital. The holders have no voting rights unless the dividend is more than six months in arrears.

On notice by the shareholders, the preference shares may be converted to ordinary shares ranking "pari passu" with the existing ordinary shares.

15 Critical accounting judgements and estimation uncertainty

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. None of the estimates and judgements have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

16 Dividends

Dividends paid during the year	2020 £'000	2019 £'000
1% convertible cumulative Preference shares: 1p (2019: 1p) per £1 share	4	4
Ordinary shares: £Nil (2019: £Nil) per £1 share	-	-
	<u>4</u>	<u>4</u>

The directors do not propose an ordinary dividend in respect of the financial year ending 31 December 2020.

Notes to the financial statements (continued)

17 Ultimate parent company

The Company's immediate parent undertaking is Arcadis Group 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 and largest group in which the results of the Company are consolidated is that headed by Arcadis UK (Holdings) Ltd. and Arcadis N.V., respectively.

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

18 Comparative information

In 2019, salaries and wages amounting to £1,981k were included as part of cost of sales but should have been classified as administrative expenses. The expense has been correctly classified in 2020 hence the comparative figures of the statement of comprehensive income were restated to conform with the current year presentation. The restatement did not have any impact on the profit for the year and cash flows for 2019.