

SNC-LAVALIN GROUP INC.
FORM 51-102F4
BUSINESS ACQUISITION REPORT

ITEM 1 – IDENTITY OF COMPANY

1.1 Name and Address of Company

SNC-Lavalin Group Inc.
455 René-Lévesque Blvd. West
Montreal (Quebec) H2Z 1Z3

1.2 Executive Officer

For further information, contact Sylvain Girard, Executive Vice-President and Chief Financial Officer at (514) 393-1000.

ITEM 2 – DETAILS OF ACQUISITION

2.1 Nature of Business Acquired

On July 3, 2017, SNC-Lavalin Group Inc. (“SNC-Lavalin” or the “Company”) completed the acquisition of WS Atkins Limited (formerly WS Atkins plc (“Atkins”)) pursuant to a scheme of arrangement under Part 26 of the U.K. Companies Act 2006 (the “Acquisition”). The principal business activity of Atkins is to provide consulting services in design, engineering and project management principally in the infrastructure, transportation and energy sectors.

2.2 Date of Acquisition

July 3, 2017

2.3 Consideration

All financial information in Canadian dollars, unless otherwise indicated

The Company acquired all of the issued share capital of Atkins for cash consideration equal to £20.80 per share. This represents an aggregate cash consideration of approximately £2.09 billion or \$3.5 billion based on the GBP:CAD exchange rate of 1.6832 (per Bloomberg on July 3, 2017).

The Acquisition has been financed with a combination of previously announced equity and debt issuances. The cash consideration was financed as follows:

- \$1.5 billion loan from the Caisse de dépôt et placement du Québec (“Caisse”) to SNC-Lavalin Highway Holdings Inc. (the entity that holds SNC-Lavalin’s 16.77% interest in Highway 407 ETR through 407 International Inc.), which was ultimately on-loaned to another subsidiary of the Company prior to the proceeds thereof being used for the Acquisition;
- \$880 million public bought deal offering of SNC-Lavalin common shares (the “Offering”) which included an over-allotment option that was exercised in an amount of \$80 million;
- \$400 million private placement of common shares of SNC-Lavalin with Caisse;

- £300 million (approximately \$500 million) unsecured term loan with a syndicate of North American banks; and
- Approximately £56 million and US\$185 million (respectively \$93.3 million and \$246.0 million) drawn on the Company's existing revolving credit facility.

2.4 Effect on Financial Position

The Company intends to integrate the operations of Atkins in order to create value for all stakeholders and realize expected synergies from the Acquisition. These synergies would mainly include eliminating corporate and listing costs, optimizing corporate and back-office functions and shared services, streamlining IT systems, and real estate consolidation where appropriate. The Company does not have any current plans or proposals for material changes to the affairs of Atkins which may have a significant effect on the results of the operations and financial position of the Company.

2.5 Prior Valuations

No valuation opinion required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company or any of its subsidiaries for Atkins was obtained in the last 12 months by the Company or, to the Company's knowledge, Atkins.

2.6 Parties to Transaction

No informed person, associate or affiliate of SNC-Lavalin is or was party to the Acquisition.

2.7 Date of Report

August 11, 2017.

ITEM 3 – FINANCIAL STATEMENTS

As required by Part 8 of National Instrument 51-102 and in reliance on subsections 8.4 (4) and 8.4 (6) thereof, the following financial statements and related notes thereto are included as schedules to this Business Acquisition Report:

- i) The consolidated financial statements of Atkins as at and for the years ended March 31, 2017 and March 31, 2016 and the Auditors' report thereon as at and for the year ended March 31, 2017;

The Company has obtained the consent of PricewaterhouseCoopers to include the attached Independent auditors' report to the directors of Atkins dated August 10, 2017 related to the audited consolidated financial statements of Atkins included in this Business Acquisition Report.

- ii) The unaudited pro forma consolidated statement of financial position as at March 31, 2017 and the unaudited pro forma consolidated income statements of SNC-Lavalin for the year ended December 31, 2016 and the three-month period ended March 31, 2017 together with the notes thereto.

Forward-looking statements

Caution Regarding Forward-Looking Statements

Statements made in this Report that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be "forward looking statements" or "forward looking information" within the meaning of applicable Canadian securities laws, including those regarding the expected impact of the Acquisition on SNC-Lavalin's strategic and operational plans and financial results. Statements made in this report that describe SNC-Lavalin's or management's expectations, objectives, predictions, projections of the future or strategies may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "assumes", "believes", "continue", "could", "estimates", "expects", "intends", "may", "should", "strategy", "will", "would", the negative thereof, other variations thereon or similar terminology, as they relate to SNC-Lavalin, Atkins or the combined entity. Forward-looking statements also include any other statements that do not refer to historical facts. Forward-looking statements also include, but are not limited to, future capital expenditures, revenues, expenses, earnings, economic performance, cash flows, indebtedness, financial condition, losses and future prospects; and business and management strategies and expansion and growth prospects of SNC-Lavalin's and the combined entity's operations. The pro forma information set forth in this report should not be considered to be what the actual financial position or other results of operations would have necessarily been had the Acquisition been completed as at or for the periods stated. All such forward-looking statements are made pursuant to the "safe-harbour" provisions of applicable Canadian securities laws. SNC-Lavalin cautions that, by their nature, forward-looking statements involve known and unknown risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of SNC-Lavalin's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of SNC-Lavalin's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this Report are based on a number of assumptions believed by the Company to be reasonable on the date hereof. The assumptions are set out throughout the Company's Annual Management's Discussion and Analysis for the financial year ended December 31, 2016 filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com or on SNC-Lavalin's website at www.snclavalin.com under the "Investors" section (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in the Company's 2016 Management's Discussion and Analysis), as updated in the Company's first and second quarter 2017 Management's Discussion and Analysis and the Company's prospectus dated April 24, 2017, (collectively the "MD&A") and, in relation to the Acquisition, include the following material assumptions: the maintenance of SNC-Lavalin's investment grade credit rating; the successful and timely integration of SNC-Lavalin and Atkins and the realization of the anticipated benefits and synergies of the Acquisition to SNC-Lavalin in the timeframe anticipated, including impacts on growth and accretion in various financial metrics; the ability of the combined entity to retain key employees of Atkins and its subsidiaries, and the value of such key employees; the realization of expected GDP growth rates in global infrastructure investments, the continued need for significant upgrading of ageing infrastructure in the U.S. and expected wave of large scale infrastructure projects globally; the ability of SNC-Lavalin to satisfy its liabilities and meet its debt service obligations following completion of the Acquisition, and to continue servicing Atkins' pension deficit; the ability of SNC-Lavalin to access the capital markets following the Acquisition; the absence of significant undisclosed costs or liabilities associated with the Acquisition; the accuracy and completeness of Atkins' public and other disclosure; the absence of significant changes in foreign currency exchange rates or significant variability in interest rates; the ability to hedge exposures to fluctuations in interest rates and foreign exchange rates; no material adverse regulatory decisions being received and the expectation of regulatory stability; no significant operational disruptions or liability due to

a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major events; no severe and prolonged downturn in economic conditions; sufficient liquidity and capital resources; the continuation of observed weather patterns and trends; no significant counterparty defaults; the continued availability of industry-leading design, consulting and high-end engineering professionals; the absence of significant changes in taxation and environmental laws and regulations that may materially negatively affect the operations and cash flows of the combined entity; no material change in public policies and directions by governments that could materially negatively affect the combined entity; the maintenance of adequate insurance coverage; the ability to obtain and maintain licenses and permits; and no material changes in market conditions. If these assumptions are inaccurate, SNC-Lavalin's, Atkins' or the combined entity's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause SNC-Lavalin's, Atkins' or the combined entity's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to, those described under the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the MD&A and, with respect to the Acquisition discussed herein specifically, potential risks include: increased indebtedness of SNC-Lavalin after the closing of the Acquisition; the failure by SNC-Lavalin to satisfy its liabilities and meet its debt service obligations following completion of the Acquisition or to continue servicing Atkins' pension deficit; the risk that the Acquisition could result in a downgrade of SNC-Lavalin's credit ratings; potential undisclosed costs or liabilities associated with the Acquisition, which may be significant; impact of Acquisition-related expenses; inaccurate or incomplete Atkins publicly disclosed information; historical and pro forma combined financial information may not be representative of future performance; the failure to retain Atkins' personnel and clients following the Acquisition and risks associated with the loss and ongoing replacement of key personnel; the impact of the Acquisition on SNC-Lavalin's and Atkins' relationships with third parties, including commercial counterparties, employees and competitors, strategic relationships, operating results and businesses generally; the failure to realize, in the timeframe anticipated or at all, the anticipated benefits and synergies of the Acquisition, including without limitation revenue growth, anticipated cost savings or operating efficiencies and operational, competitive and cost synergies; the possibility that SNC-Lavalin's integration plan for Atkins could be ill-conceived or poorly executed and result in loss of customers, employees, suppliers or other benefits and goodwill of the Atkins business; factors relating to the integration of SNC-Lavalin and Atkins (such as the impact of significant demands placed on SNC-Lavalin and Atkins as a result of the Acquisition, the time and resources required to integrate both businesses, diversion of management time on integration-related issues, unanticipated costs of integration in connection with the Acquisition, including operating costs or business disruption being greater than expected, and the difficulties and delays associated with such integration); and exchange rate risk and foreign currency exposure risk.

SNC-Lavalin cautions that the foregoing list of factors is not exhaustive. Other risks and uncertainties not presently known to SNC-Lavalin and Atkins or that SNC-Lavalin and Atkins presently believe are not material could also cause actual results or events to differ materially from those expressed in these forward-looking statements. Accordingly, there can be no assurance that the anticipated strategic benefits and operational, competitive and cost synergies will be realized in their entirety, in part or at all.

The forward-looking statements contained in this Report are expressly qualified in their entirety by the foregoing cautionary statements. The forward-looking statements herein reflect SNC-Lavalin's expectations as at the date of this Report and are subject to change after this date. SNC-Lavalin does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation. All subsequent oral or written forward looking statements attributable to SNC-Lavalin or any of its directors, officers or employees or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

Schedule A

The consolidated financial statements of Atkins as at and for the years ended March 31, 2017 and March 31, 2016 and the Auditors' report thereon as at and for the year ended March 31, 2017

WS Atkins Limited
(formerly WS Atkins plc)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017
COMPANY NUMBER 1885586

Financial Statements >

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Independent auditor's report to the directors of WS Atkins Limited

Report on the audit of the group and parent company financial statements

Our opinion

In our opinion, WS Atkins Limited's non-statutory group (the "Group") financial statements and parent company (the "parent company") financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's and the parent company's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs").

What we have audited

The financial statements comprise:

- the Consolidated and Parent Company Balance Sheets as at 31 March 2017;
- the Consolidated Income Statement for the year then ended;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Parent Company Statements of Cash Flows for the year then ended;
- the Consolidated and Parent Company Statements 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 IFRSs as issued by the International Accounting Standards Board (IASB), and applicable law.

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Auditing Practices Board's Ethical Standards for Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Auditing Practices Board's Ethical Standards for Auditors.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines 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, management is responsible for assessing the Group's and Parent 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 management either intends to liquidate the Group or Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Parent Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of this report

This report, including the opinion, has been prepared for and only for WS Atkins Limited's board of directors as a body in accordance with our engagement letter dated 9 August 2017 and for no other purpose. We do not, in giving this opinion, 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 matter

We draw attention to the fact that these financial statements have not been prepared under section 394 of the Companies Act 2006 and are not the company's statutory financial statements.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP
Chartered Accountants
London
10 August 2017

Consolidated Income Statement >

For the year ended 31 March 2017

		Group	
	Note	2017 £m	2016 £m
Revenue	3	2,081.5	1,861.9
Cost of sales		(1,250.0)	(1,109.2)
Gross profit		831.5	752.7
Administrative expenses		(677.4)	(609.3)
Operating profit	3, 5	154.1	143.4
Comprising			
– Underlying operating profit		171.5	148.2
– Exceptional items	11	41.7	4.7
– Impairment of goodwill	15	(21.4)	–
– Impairment of acquired intangibles	16	(4.8)	–
– Amortisation of acquired intangibles	16	(29.2)	(6.3)
– Deferred acquisition payments		(3.7)	(3.2)
		154.1	143.4
Net profit/(loss) on disposal of businesses	9	0.5	(3.1)
Income from other investments		0.6	1.1
Share of post-tax profit from joint ventures	3,4	4.8	0.7
Profit before interest and tax		160.0	142.1
Finance income	7	4.3	4.0
Finance costs	7	(16.6)	(15.0)
Net finance costs	7	(12.3)	(11.0)
Profit before tax		147.7	131.1
Comprising			
– Underlying profit before tax		164.6	139.0
– Exceptional items	11	41.7	4.7
– Impairment of goodwill	15	(21.4)	–
– Impairment of acquired intangibles	16	(4.8)	–
– Amortisation of acquired intangibles	16	(29.2)	(6.3)
– Deferred acquisition payments		(3.7)	(3.2)
– Net profit/(loss) on disposal of businesses	9	0.5	(3.1)
		147.7	131.1
Income tax expense	8	(18.9)	(27.7)
Profit for the year		128.8	103.4
Attributable to:			
Owners of the parent		129.8	103.2
Non-controlling interests		(1.0)	0.2
		128.8	103.4
Earnings per share			
Basic EPS	13	133.4 p	106.0 p
Diluted EPS	13	129.9 p	103.0 p
Underlying diluted EPS	13	124.2 p	107.3 p

The notes on pages 11 to 84 are an integral part of these Financial Statements.

Consolidated Statement of Comprehensive Income >

For the year ended 31 March 2017

	Note	Group	
		2017 £m	2016 £m
Profit for the year		128.8	103.4
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Remeasurements of net post-employment benefit liabilities	30	(8.3)	8.3
Income tax on items that will not be reclassified	30, 8	0.1	(5.7)
Total items that will not be reclassified to profit or loss		(8.2)	2.6
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges, net of tax		6.2	(1.0)
Net investment hedges		(15.4)	–
Net differences on exchange		55.5	18.6
Total items that may be reclassified subsequently to profit or loss		46.3	17.6
Other comprehensive income for the year, net of tax		38.1	20.2
Total comprehensive income for the year		166.9	123.6
Attributable to:			
Owners of the parent		167.9	123.4
Non-controlling interests		(1.0)	0.2
Total comprehensive income for the year		166.9	123.6

The notes on pages 11 to 84 are an integral part of these Financial Statements.

Consolidated and Parent Company Balance Sheets >

As at 31 March 2017

	Note	Group		Company	
		2017 £m	2016 £m	2017 £m	2016 £m
Assets					
Non-current assets					
Goodwill	15	380.8	253.2	–	–
Other intangible assets	16	186.8	46.8	–	–
Property, plant and equipment	17	55.4	51.9	–	–
Investments in subsidiaries	18	–	–	222.2	216.1
Investments in joint ventures	4	12.9	4.3	–	–
Deferred income tax assets	19	58.4	66.5	–	–
Derivative financial instruments	22	8.0	2.0	–	–
Other receivables	23	3.1	29.1	0.7	1.0
Post-employment benefit assets	30	15.8	–	–	–
		721.2	453.8	222.9	217.1
Current assets					
Trade and other receivables	24	589.8	480.0	371.6	339.5
Financial assets at fair value through profit or loss	21,25	31.6	32.9	–	–
Cash and cash equivalents	26	224.5	419.3	1.5	1.4
Derivative financial instruments	22	5.7	1.3	–	–
		851.6	933.5	373.1	340.9
Liabilities					
Current liabilities					
Borrowings	27	(0.1)	(7.0)	–	(7.0)
Trade and other payables	28	(533.1)	(483.0)	(22.8)	(53.1)
Derivative financial instruments	22	(0.8)	(0.5)	–	–
Current income tax liabilities		(46.0)	(28.3)	–	–
Provisions for other liabilities and charges	29	(1.3)	(1.1)	–	–
		(581.3)	(519.9)	(22.8)	(60.1)
Net current assets		270.3	413.6	350.3	280.8
Non-current liabilities					
Borrowings	27	(263.0)	(273.6)	(262.8)	(273.5)
Provisions for other liabilities and charges	29	(2.9)	(2.8)	–	–
Post-employment benefit liabilities	30	(274.9)	(285.8)	–	–
Derivative financial instruments	22	(0.7)	(1.0)	–	–
Deferred income tax liabilities	19	(27.1)	(11.7)	–	–
Other non-current liabilities	31	(4.4)	(3.2)	–	–
		(573.0)	(578.1)	(262.8)	(273.5)
Net assets		418.5	289.3	310.4	224.4
Capital and reserves					
Ordinary shares	32	0.5	0.5	0.5	0.5
Share premium account		62.4	62.4	62.4	62.4
Merger reserve		8.9	8.9	8.9	8.9
Retained earnings		347.6	217.2	238.6	152.6
Equity attributable to owners of the parent		419.4	289.0	310.4	224.4
Non-controlling interests		(0.9)	0.3	–	–
Total equity		418.5	289.3	310.4	224.4

The Financial Statements on pages 5 to 84 were approved by the Board on 10 August 2017 and signed on its behalf by:

Heath Drewett

Director

The notes on pages 11 to 84 are an integral part of these Financial Statements.

Consolidated and Parent Company Statements of Cash Flows >

For the year ended 31 March 2017

	Note	Group		Company	
		2017 £m	2016 £m	2017 £m	2016 £m
Cash flows from operating activities					
Cash generated from/(used in) operations	34	100.4	116.1	1.4	(10.5)
Interest received		2.8	3.6	6.6	3.0
Interest paid		(7.0)	(3.9)	(7.3)	(3.6)
Income tax paid		(21.5)	(36.8)	–	–
Net cash generated from/(used in) operating activities		74.7	79.0	0.7	(11.1)
Cash flows from investing activities					
Acquisitions of subsidiaries					
– consideration	10	(235.3)	–	–	–
– cash acquired	10	0.3	–	–	–
Investment in subsidiaries		–	–	(2.2)	–
Deferred consideration received on sale of Woodcote Grove		7.5	–	–	–
Investment in joint ventures		(3.7)	–	–	–
Repayment of joint venture loans		–	1.6	–	–
Purchases of property, plant and equipment	17	(19.0)	(16.8)	–	–
Proceeds from disposals of property, plant and equipment		0.2	2.5	–	–
Proceeds from disposal of assets		47.1	–	–	–
Dividends received from other investments		0.6	1.1	–	–
Dividends received		–	–	122.3	56.2
Net disposal proceeds from financial assets	35	2.3	0.5	–	–
Purchases of intangible assets	16	(1.9)	(3.0)	–	–
Net cash (used in)/generated from investing activities		(201.9)	(14.1)	120.1	56.2
Cash flows from financing activities					
Proceeds from new loans		0.2	–	–	–
Proceeds of new bank loans		–	164.7	–	164.7
Repayment of bank loans		(55.4)	–	(55.4)	–
Redemption of loan notes receivable		19.7	0.1	–	–
Finance lease principal payments	35	–	(0.1)	–	–
Purchase of own shares by employee benefit trusts		(8.3)	(13.0)	–	–
Equity dividends paid to shareholders	12	(39.2)	(36.2)	(39.2)	(36.2)
Loans granted to Group companies		–	–	(118.8)	(179.7)
Loans received from Group companies		–	–	23.3	–
Repayment of loans to Group companies		–	–	69.3	–
Net cash (used in)/generated from financing activities		(83.0)	115.5	(120.8)	(51.2)
Net (decrease)/increase in cash and cash equivalents		(210.2)	180.4	–	(6.1)
Cash and cash equivalents and bank overdraft at beginning of year		419.3	235.4	1.4	(2.6)
Exchange movements		15.4	3.5	0.1	10.1
Cash and cash equivalents at end of year	26	224.5	419.3	1.5	1.4

The notes on pages 11 to 84 are an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity >

For the year ended 31 March 2017

	Note	Attributable to owners of the parent				Total £m	Non- controlling interests £m	Total equity £m
		Ordinary shares £m	Share premium account £m	Merger reserve £m	Retained earnings £m			
Group								
Balance at 1 April 2015		0.5	62.4	8.9	133.0	204.8	0.2	205.0
Profit for the year		–	–	–	103.2	103.2	0.2	103.4
Remeasurements of net post-employment benefit liabilities		–	–	–	8.3	8.3	–	8.3
Income tax on items that will not be reclassified		–	–	–	(5.7)	(5.7)	–	(5.7)
Cash flow hedges		–	–	–	(1.0)	(1.0)	–	(1.0)
Net differences on exchange		–	–	–	18.6	18.6	–	18.6
Other comprehensive income for the year		–	–	–	20.2	20.2	–	20.2
Total comprehensive income for the year		–	–	–	123.4	123.4	0.2	123.6
Dividends provided for or paid	12	–	–	–	(36.2)	(36.2)	(0.1)	(36.3)
Share-based payments	33	–	–	–	9.4	9.4	–	9.4
Tax credit relating to share-based payments		–	–	–	0.6	0.6	–	0.6
Employee benefit trusts		–	–	–	(13.0)	(13.0)	–	(13.0)
Total contributions by and distributions to owners of the parent, recognised directly in equity		–	–	–	(39.2)	(39.2)	(0.1)	(39.3)
Balance at 31 March 2016		0.5	62.4	8.9	217.2	289.0	0.3	289.3
Profit/(loss) for the year		–	–	–	129.8	129.8	(1.0)	128.8
Remeasurements of net post-employment benefit liabilities		–	–	–	(8.3)	(8.3)	–	(8.3)
Income tax on items that will not be reclassified		–	–	–	0.1	0.1	–	0.1
Cash flow hedges, net of tax		–	–	–	6.2	6.2	–	6.2
Net investment hedges		–	–	–	(15.4)	(15.4)	–	(15.4)
Net differences on exchange		–	–	–	55.5	55.5	–	55.5
Other comprehensive income for the year		–	–	–	38.1	38.1	–	38.1
Total comprehensive income/(loss) for the year		–	–	–	167.9	167.9	(1.0)	166.9
Dividends paid	12	–	–	–	(39.2)	(39.2)	–	(39.2)
Share-based payments	33	–	–	–	9.3	9.3	–	9.3
Tax credit relating to share-based payments		–	–	–	0.6	0.6	–	0.6
Employee benefit trusts		–	–	–	(8.2)	(8.2)	–	(8.2)
Total contributions by and distributions to owners of the parent, recognised directly in equity		–	–	–	(37.5)	(37.5)	–	(37.5)
Acquisition of non-controlling interest		–	–	–	–	–	0.1	0.1
Derecognition of non-controlling interest		–	–	–	–	–	(0.3)	(0.3)
Balance at 31 March 2017		0.5	62.4	8.9	347.6	419.4	(0.9)	418.5

The merger reserve relates to the issue of shares in respect of previous acquisitions.

The notes on pages 11 to 84 are an integral part of these Financial Statements.

Parent Company Statement of Changes in Equity >

For the year ended 31 March 2017

	Note	Attributable to owners of the parent				Total £m	Non- controlling interests £m	Total equity £m
		Ordinary shares £m	Share premium account £m	Merger reserve £m	Retained earnings £m			
Company								
Balance at 1 April 2015		0.5	62.4	8.9	124.5	196.3	–	196.3
Profit for the year	14	–	–	–	54.9	54.9	–	54.9
Total comprehensive income for the year		–	–	–	54.9	54.9	–	54.9
Dividends provided for or paid	12	–	–	–	(36.2)	(36.2)	–	(36.2)
Share-based payments	33	–	–	–	9.4	9.4	–	9.4
Total contributions by and distributions to owners of the parent, recognised directly in equity		–	–	–	(26.8)	(26.8)	–	(26.8)
Balance at 31 March 2016		0.5	62.4	8.9	152.6	224.4	–	224.4
Profit for the year	14	–	–	–	115.9	115.9	–	115.9
Total comprehensive income for the year		–	–	–	115.9	115.9	–	115.9
Dividends paid	12	–	–	–	(39.2)	(39.2)	–	(39.2)
Share-based payments	33	–	–	–	9.3	9.3	–	9.3
Total contributions by and distributions to owners of the parent, recognised directly in equity		–	–	–	(29.9)	(29.9)	–	(29.9)
Balance at 31 March 2017		0.5	62.4	8.9	238.6	310.4	–	310.4

The merger reserve relates to the issue of shares in respect of previous acquisitions.

The notes on pages 11 to 84 are an integral part of these Financial Statements.

Notes to the Financial Statements >

For the year ended 31 March 2017

1 Accounting policies

During the year, WS Atkins Limited, formerly WS Atkins plc, (the Company) was a public limited company, which was listed on the London Stock Exchange. The company is incorporated and domiciled in England and Wales and the address of its registered office is Woodcote Grove, Ashley Road, Epsom, Surrey, KT18 5BW, England.

Following the acquisition of the entire issued and to be issued share capital of WS Atkins Limited, formerly WS Atkins plc, by SNC-Lavalin (GB) Holdings Limited, an indirect subsidiary of SNC-Lavalin Group Inc. on 3 July 2017, the Company became the Atkins sector member of the group of companies headed by SNC-Lavalin Group Inc.

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, including the application of new IFRSs and interpretations, unless otherwise stated.

Basis of preparation

The Consolidated Financial Statements of the Company have been prepared in accordance with IFRSs and interpretations issued by the IFRS Interpretations Committee (IFRS IC or IFRIC) applicable to companies reporting under IFRS. The Financial Statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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 Consolidated Financial Statements, are in relation to contract accounting, including recoverability of receivables, goodwill impairment, defined benefit pension schemes, tax, research and development, and joint arrangements. In addition, accounting policies in relation to the acquisition of, and accounting for, business combinations were considered significant this year due to the acquisition of PP&T and as a result have been included as critical accounting policies. These critical accounting policies are described in more detail below and have been annotated with CA.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the non-statutory Consolidated and Parent Company Financial Statements of WS Atkins Limited, formerly WS Atkins plc, in accordance with IFRSs for the year ended 31 March 2017. This is in order to provide relevant audited financial statements to the ultimate parent company, SNC-Lavalin Group Inc., so that the parent may meet its filing requirements following the acquisition of the Company on 3 July 2017.

The directors must not approve the non-statutory Consolidated and Parent Company Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for that period. In preparing the non-statutory Financial Statements, the directors are responsible for:

- selecting suitable accounting policies and applying them consistently;
- stating whether applicable IFRSs as issued by the IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company. The directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Notes to the Financial Statements continued

Changes in accounting policy and disclosure

New and amended standards adopted by the Group

There were no standards adopted by the Group for the first time for the financial year beginning on 1 April 2016 that had a material impact on the Group.

The following IFRSs and international accounting standards (IASs) and IFRIC interpretations have been adopted by the Group for the first time for the financial year beginning on 1 April 2016 and do not have a material impact on the Group:

- Amendments to the following standards:
 - IAS 1, *Presentation of financial statements* – on the disclosure initiative
 - IAS 16, *Property, plant and equipment* and IAS 41, *Agriculture* – regarding bearer plant
 - IAS 16, *Property, plant and equipment* and IAS 38, *Intangible assets* – clarification of acceptable methods of depreciation and amortisation
 - IAS 27, *Separate financial statements* – on the equity method
 - IFRS 10 and IAS 28 – regarding investment entities applying the consolidation exception
 - IFRS 11, *Joint arrangements* – amendments specify the appropriate accounting treatment for acquisition of an interest in a joint operation
 - IFRS 14, *Regulatory deferral accounts*
- Annual improvements to IFRSs (2012 – 2014) impacting:
 - IFRS 5, *Non-current assets held for sale and discontinued operations* – regarding methods of disposal
 - IFRS 7, *Financial instruments: Disclosures* – regarding servicing contracts
 - IAS 19, *Employee benefits* – regarding discount rates
 - IAS 34, *Interim financial reporting* – regarding disclosure of information.

New standards and interpretations not yet adopted by the Group

The following accounting standards, interpretations and amendments have been issued by the IASB but were not yet effective for the financial year beginning 1 April 2016 and have not been early adopted by the Group:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRS 16, *Leases*
- IFRIC Interpretation 22, *Foreign currency transactions and advance consideration*
- Amendments to the following standards:
 - IAS 7, *Disclosure initiative*
 - IAS 12, *Recognition of deferred tax assets for unrealised losses*
 - IFRS 2, *Classification and measurement of share-based payment transactions*
 - IFRS 4, *Applying IFRS 9 Financial instruments with IFRS 4 insurance contracts*
 - IAS 40, *Transfers of investment property*
 - IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*
 - IFRS 15, *Revenue from contracts with customers* (clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment).
- Annual improvements to IFRSs (2014 – 2016) impacting:
 - IFRS 1, *First-time adoption of international financial reporting standards* – Deletion of short-term exemptions for first-time adopters
 - IFRS 12, *Disclosure of interests in other entities* – Clarification of the scope of the disclosure requirements in IFRS 12
 - IAS 28, *Investments in associates and joint ventures* – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

Changes in accounting policy and disclosure continued

The directors continue to assess the impact of IFRS 9, IFRS 15 and IFRS 16, but do not expect the other standards above to have a material quantitative effect.

IFRS 9, *Financial instruments* was published in July 2014 and is effective for financial periods beginning on or after 1 January 2018. IFRS 9 replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model. The directors have made initial assessments of the impact of IFRS 9 and do not expect any material quantitative impact to the Group, although the full impact will be subject to further assessment.

IFRS 15, *Revenue from contracts with customers* was issued by the IASB in May 2014 and will be effective for accounting periods beginning on or after 1 January 2018. The new standard will replace existing accounting standards, and provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the company expects to be entitled to receive. The standard also updates revenue disclosure requirements.

The Group undertook an impact assessment, which involved carrying 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 Group plans to adopt IFRS 15 for the financial year ending 31 March 2019 and apply the standard on a retrospective basis. To comply with the new standard we will be amending our critical accounting policy relating to revenue recognition and contract accounting to recognise revenue on the percentage completion basis of performance obligations within contracts rather than contracts as a whole. The directors have substantially completed their detailed assessment of the impact of IFRS 15 and concur with their initial assessment that there would not be any material impact on the consolidated results or financial position of the Group.

IFRS 16, *Leases* was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17, *Leases* and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets, although the full impact will be subject to further assessment.

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

Going concern

Having reassessed 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 Consolidated Income Statement and Balance Sheet include the accounts of the Group and the Company, its subsidiary undertakings and its share of joint ventures. The results of the subsidiary undertakings acquired during the year are included in the Consolidated Income Statement from the date of acquisition. The results of subsidiary undertakings disposed of during the year are included in the Consolidated Income Statement up to the date of disposal.

Notes to the Financial Statements continued

Subsidiaries **CA**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. Investments in subsidiaries are stated at cost less impairments. The cost of an acquisition is measured as the fair value of the assets, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of any non-controlling interest.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is lower than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement. Goodwill is reviewed on finalisation of fair values and any adjustments required to the accounting are recorded within 12 months of the acquisition date.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated.

Where subsidiaries adopt accounting policies that are different from the Group's, their reported results are restated to comply with the Group's accounting policies. Where subsidiaries do not adopt accounting periods that are coterminous with the Group's, results and net assets are based upon unaudited accounts drawn up to the Group's accounting reference date.

Joint arrangements **CA**

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 a joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group classifies its interests in joint arrangements as either joint ventures or joint operations.

The Group holds 50% of the voting rights in some of its joint arrangements. However, the Group has joint control over these arrangements as under the respective contractual agreements unanimous consent is required from all parties to the agreements for all relevant activities.

These joint arrangements are not structured through separate legal entities and the terms of the arrangements provide the Group and the other parties to the arrangements with the rights to the assets and obligations for the liabilities, or other facts and circumstances indicate this is the case. Therefore, these arrangements are classified as joint operations of the Group.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and the carrying amount is increased or decreased thereafter to recognise the Group's share of the post-acquisition profits or losses. Losses of a joint venture in excess of the Group's interest in the joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Distributions received reduce the carrying amount of the investment.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement, or where other facts and circumstances indicate that this is the case. The Group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the Financial Statements on a line-by-line basis.

Employee benefit trusts (EBTs)

The accounts of the EBTs are incorporated into the results of the Group as, although they are administered by independent trustees and their assets are held separately from those of the Group, in practice the Group's recommendations on how the assets are used for the benefit of employees are normally followed. The Group bears the major risks and rewards of the assets held by the EBTs until the shares vest unconditionally with the employees. Shares in the Company held by the EBTs are shown as a reduction in retained earnings. Other assets and liabilities held by the EBTs are consolidated with the assets of the Group.

Foreign currency transactions and translation

Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in pounds sterling (£), which is the Company's and Group'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 or valuation where items are remeasured. 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 generally recognised in the Consolidated Income Statement. However, they are deferred to equity, with the in-year movement through other comprehensive income, if they relate to qualifying cash flow hedges, qualifying net investment hedges or are attributable to net investments in foreign operations.

Group companies

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers (CODMs). The CODMs, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the CEO and the Group finance director.

The Group's operating segments for management purposes reflect predominantly its key geographical markets. The segments are: UK and Europe, North America, Middle East and Africa, Asia Pacific and Energy. These segments form the basis for reporting the Group's segment information as they are the main determinants of the Group's risks and returns. The Group considers the UK to be its country of domicile.

Intersegment transfers and transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Notes to the Financial Statements continued

Revenue

Revenue from long-term contracts comprises the value of work performed during the period calculated in accordance with the Group'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.

Under certain services contracts, the Group manages customer expenditure and is obliged to purchase goods and services from third party contractors and recharge them to the customer at cost. The amounts charged by contractors and recharged to customers are excluded from revenue and cost of sales where the Group is acting solely as an agent. Receivables, payables and cash relating to these transactions are included in the Consolidated Balance Sheet.

Underlying profit

Underlying operating profit is reported before exceptional items, impairment of goodwill, amortisation and impairment of intangible assets recognised on acquisition and deferred acquisition payments, and relates to continuing operations.

Revenue recognition and contract accounting CA

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

This 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 Group 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 Group 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 or, in the case of PPP/PFI concessions, over the same period as the Group's interest in any special purpose company (SPC) charges the equivalent capitalised amounts to the Income Statement.

Bid recovery fees are deferred and credited to the Income Statement over the duration of the contract or, in the case of PPP/PFI concessions, over the same period as the Group's interest in any SPC credits the equivalent capitalised amounts to the Income Statement. Where the Group's interest in any SPC reduces, the deferred bid recovery fees are credited to the Income Statement in proportion to the reduction of the Group's interest.

Exceptional items

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

Retirement benefit schemes CA

The Group operates various post-employment schemes, including both defined contribution (DC) and defined benefit (DB) pension plans.

A DC plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A DB plan is a pension plan that typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For the DB plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the Consolidated Balance Sheet with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. DB pension costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- administrative expenses
- net interest expense or income
- remeasurement.

The net retirement benefit liabilities recognised in the Consolidated Balance Sheet represent the actual deficit in the Group's DB plans.

For DC plans, the Group's contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

Accounting for pensions involves judgement about uncertain events in the future such as inflation, salary levels at retirement, longevity rates, rates of return on plan assets and discount rates. Assumptions in respect of pensions and post-employment benefits are set after consultation with independent qualified actuaries. Management believes the assumptions are appropriate. However, a change in the assumptions used would have an impact on the Group's results and net assets. Any differences between the assumptions and the actual outcome will affect results in future years. An estimate of the sensitivity to changes in key assumptions is disclosed in note 30 to the Financial Statements.

Share-based payments

The Group operates a number of equity and cash settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) or cash (phantom allocations) of the Group.

In accordance with IFRS 2, *Share-based payments*, the cost of share-based payments awarded is charged to the 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 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 Balance Sheet until the awards are transferred, at which point a cash amount (based on the Company's share price at the vesting date) is paid to the employee. Where awards are settled by the new issue of shares, any proceeds received in respect of share options are credited to share capital and share premium. Where awards are settled in shares held by the EBTs, any proceeds are credited to retained earnings/accumulated losses.

Notes to the Financial Statements continued

Share awards are granted by the Company to employees of its subsidiaries. The Company charges to cost of investment in subsidiaries an amount equivalent to the equity settled element of the annual IFRS 2 charge, with an equivalent credit to reserves.

Income tax **CA**

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 Group is subject to tax in a number of jurisdictions and judgement is required in determining the Group wide provision for income taxes. The Group provides for potential liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

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 subsidiaries 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 Consolidated 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.

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 income tax is recognised on the unremitted earnings of overseas subsidiaries, branches and joint ventures, except where it is known that the earnings will be distributed.

Deferred tax assets of £7.4m (2016: £3.2m) have not been recognised due to the uncertainty of timing of utilisation.

Research and development (R&D) **CA**

All R&D expenditure is written off to the Consolidated Income Statement as incurred. In the UK, the Group adopted the R&D expenditure credit regime with effect from 1 April 2013. These credits have characteristics more akin to government grants than income taxes and therefore are offset against the relevant expenditure in the income statement rather than via the tax charge.

The credits are recognised to the extent that there is reasonable assurance that they will be received, albeit that the claim process takes place sometime after the original expenditure was incurred.

Intangible assets

Goodwill CA

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

Goodwill is stated at cost less accumulated impairment.

For the purpose 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 the 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 the 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.

Acquired customer relationships CA

Acquired customer relationships consist of intangible assets arising on the consolidation of recently acquired businesses, that are separable from goodwill, in accordance with IFRS 3, *Business combinations*, and IAS 38, *Intangible assets*, and do not fall within the Group's other classes of intangible assets. These comprise principally existing customer relationships which may give rise to future orders (customer relationships), and existing order books (backlog orders).

Acquired customer relationships are recognised at fair value at the acquisition date and have a finite useful life. Amortisation of customer relationships is calculated using the straight line method to allocate the cost of customer relationships over their estimated useful lives of between 1 and 20 years. Acquired customer relationships are stated at cost less accumulated amortisation and impairment.

Backlog orders are recognised at fair value at the acquisition date and amortised over their estimated useful lives of up to 3 years. Backlog orders are stated at cost less accumulated amortisation and impairment.

Software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight line method to allocate the cost of the software licences over their useful lives of between 2 and 5 years. Software licences are stated at cost less accumulated amortisation.

Corporate information systems

In accordance with IAS 38, *Intangible assets*, the Group's corporate information systems are treated as an intangible asset. Costs included are those directly attributable to the design, construction and testing of new systems (including major enhancements and internally generated costs) from the point of inception to the point of satisfactory completion where the probable future economic benefits arising from the investment can be assessed with reasonable certainty at the time the costs are incurred. Maintenance and minor modifications are expensed in the Income Statement as incurred. The corporate information systems recognised as assets are amortised using the straight line method to allocate the cost of the corporate information systems over their estimated useful life of 6 years. Corporate information systems are stated at cost less accumulated amortisation.

Trade names and trademarks CA

Trade names and trademarks have arisen on the consolidation of recently acquired businesses and are recognised at fair value at the acquisition date. Where trade names and trademarks are considered to have a finite useful life, amortisation is calculated using the straight line method to allocate the cost of trade names and trademarks over their estimated useful lives of between 3 and 13 years. Where trade names and trademarks are considered to have an indefinite useful life, they are not subject to amortisation; they are tested annually for impairment and when there are indications that the carrying value may not be recoverable, as detailed within the impairment of non-financial assets section below. Trade names and trademarks are stated at cost less accumulated amortisation and impairment.

Notes to the Financial Statements continued

Property, plant and equipment

Property, 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 Group 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 write off the cost less residual value of each asset over its estimated useful life, as follows:

Freehold buildings	– 10 to 50 years
Short-term leasehold property	– over the life of the lease
Plant, machinery and vehicles	– 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 Consolidated Income Statement.

Sale and leaseback transactions

A sale and leaseback transaction occurs when the Group sells an asset and reacquires the use of the asset by entering into a lease with the buyer. The accounting treatment of the sale and leaseback depends upon the substance of the transaction, whether or not the sale was made at the asset's fair value, and the relationship with the buyer. For sale and operating leasebacks, the assets are sold at fair value and accordingly the profit or loss from the sale is recognised immediately in the Group's Income Statement. The operating lease payments are recognised in accordance with the accounting policy for leases, as disclosed below.

Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment and when there are indications that the carrying value may not be recoverable. 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 to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial assets

Classification

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

Financial assets at fair value through profit or loss

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the mid-market price. These instruments are included in Level 1, see note 20.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2, see note 20.

The fair value of financial instruments for an asset or liability that are not based on observable market data (that is, unobservable inputs) are Level 3 financial instruments, see note 20.

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 Group's loans and receivables comprise trade and other receivables, cash and cash equivalents, and other receivables in the Balance Sheet. Other receivables include loan notes receivable.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the right to receive cash flows from the investments has expired or has been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Trade receivables are recognised at original invoice amount less provision for impairment which, due to their short term nature, approximates to their fair value. Other receivables include loan notes receivable, which are measured at amortised cost using the effective interest method less any provision for impairment. This valuation approximates to their fair value.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Income Statement in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Consolidated Income Statement.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the Consolidated Income Statement as part of finance income.

Notes to the Financial Statements continued

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each Balance Sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in payments, the probability that it will enter bankruptcy or financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Any impairment is charged to the Consolidated Income Statement. Impairment testing for trade receivables is described below in the accounting policy paragraph relating to trade receivables. For other receivables carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

Assets classified as available-for-sale

At each Balance Sheet date, the Group assess whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group uses the criteria referred to above. If any evidence of impairment exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Consolidated Income Statement.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Amounts recoverable on contracts, amounts due from subsidiary undertakings, amounts due from joint ventures, deferred finance costs, prepayments and accrued income and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

Trade receivables are recognised at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group 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 include cash in hand, demand deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge) or as hedges of a net investment in a foreign operation (net investment hedge).

Derivative financial instruments and hedging activities continued

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast cash flow that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast cash flow is ultimately recognised in the Consolidated Income Statement. When a forecast cash flow is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The gain or loss on the hedging instruments relating to the effective portion of the hedge is recognised in other comprehensive income, while the ineffective portion is recognised immediately in the Consolidated Income Statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the foreign operation is partially disposed of, or sold.

Lease obligations

Finance leases

Lease arrangements that transfer substantially all the risks and rewards of ownership to the lessee are treated as finance leases. Assets held under finance leases are capitalised within property, plant and equipment at the lease's commencement and depreciated over the shorter of the lease term and the useful life of the asset. A liability is recognised for the present value of the minimum lease payments within current and/or non-current liabilities as appropriate. Rental payments are apportioned between capital and interest expense to achieve a constant rate of interest charge on the outstanding obligation.

Operating leases

Where the Group acts as lessee in an operating lease arrangement, the lease payments are charged as an expense to the Consolidated 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.

Where the Group acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight line basis over the period of the lease. Lease incentives provided are also recognised over the lease term on a straight line basis.

Trade payables

Trade payables are obligations to pay for goods or 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.

Trade payables are recognised at fair value.

Notes to the Financial Statements continued

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

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

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 Group 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 can be reliably estimated.

Vacant property provisions are recognised when the Group has committed to a course of action that will result in the property becoming vacant. The provision is calculated based on projected discounted cash flows to the end of the lease, after making assumptions for void and rent free periods. The pre-tax rate used reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Disposal groups held for sale

Disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2 Treasury policy and objectives

The Group's treasury function manages and monitors external funding and investment requirements and financial risks in support of the Group's corporate objectives. The Board reviews and agrees procedures, requirements and authority levels for treasury activities. The Board delegates responsibility for the detailed review of the policies to the Audit Committee.

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade receivables and trade payables, which arise directly from its operations. The main purpose of these financial instruments is to finance the Group's activities. The Group also enters into derivative transactions, principally forward foreign currency contracts to manage foreign exchange risk on material commercial transactions undertaken in currencies other than the local functional currency.

The main risks arising from the Group's financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's exposures to and management of each of the main risks, together with sensitivities and risk concentrations, are described in more detail in note 20 to the Financial Statements.

The Group funds its ongoing activities through cash generated from its operations and, where necessary, borrowings and finance leases. The Group's debt facilities are described in note 27 to the Financial Statements. Utilisation of the Group's facilities is a consequence of prior and current year acquisitions and ongoing organic growth. As at 31 March 2017, the Group had £96.7m of undrawn committed borrowing facilities available (2016: £71.9m).

There have been no significant changes to the Group's treasury procedures, requirements and authority levels during the year.

3 Segmental information

The CODMs have been identified as the CEO and the Group finance director. The CEO and the Group finance director review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group's operating segments for management purposes predominantly reflect its key geographical markets. The segments are: UK and Europe, North America, Middle East and Africa, Asia Pacific and Energy. Details of the business activities and the economic environment in which each segment operates are given in the Our segments and Segmental performance sections.

The CEO and the Group finance director assess the performance of the operating segments based on underlying operating profit before interest and tax. Information provided to the CEO and the Group finance director is measured in a manner consistent with that in the Financial Statements.

a) Group business segments

Revenue and results

2017	External revenue £m	Inter segment trade £m	Revenue £m	Operating profit/(loss) £m	Operating margin %	Share of post-tax (loss)/profit from joint ventures £m
UK and Europe	898.7	12.4	911.1	90.4	9.9	(0.1)
North America	478.7	1.8	480.5	33.5	7.0	–
Middle East and Africa	240.6	(8.4)	232.2	21.8	9.4	–
Asia Pacific	115.7	2.5	118.2	9.3	7.9	–
Energy	333.4	(6.4)	327.0	30.3	9.3	4.9
Total for segments	2,067.1	1.9	2,069.0	185.3	9.0	4.8
Group items:						
Joint ventures	–	–	–	(8.2)		–
Investment in Acuity	14.4	(1.9)	12.5	(5.6)		–
Unallocated central items	–	–	–	(17.4)		–
Total for Group	2,081.5	–	2,081.5	154.1	7.4	4.8

2016	External revenue £m	Inter segment trade £m	Revenue £m	Operating profit/(loss) £m	Operating margin %	Share of post-tax profit from joint ventures £m
UK and Europe	906.9	36.7	943.6	73.8	7.8	0.3
North America	362.0	0.6	362.6	20.4	5.6	–
Middle East	285.0	(36.7)	248.3	29.5	11.9	–
Asia Pacific	94.6	11.5	106.1	8.5	8.0	–
Energy	213.4	(12.1)	201.3	16.7	8.3	0.4
Total for segments	1,861.9	–	1,861.9	148.9	8.0	0.7
Group items:						
Joint ventures	–	–	–	(0.7)		–
Unallocated central items	–	–	–	(4.8)		–
Total for Group	1,861.9	–	1,861.9	143.4	7.7	0.7

Acuity, our new advisory business, was launched during the financial year. We have not included it as a separate segment to maintain clarity of the existing segments, and until such time as its results become more material to the Group.

Unallocated central items reported in the year ended 31 March 2017 comprise: £29.2m of intangible asset amortisation relating to the acquisitions of The PBSJ Corporation (PBSJ), Confluence Project Management Pte. Ltd (Confluence), Nuclear Safety Associates, Inc. (NSA), Houston Offshore Engineering, LLC (HOE), Terramar AS (Terramar), the projects, products

Notes to the Financial Statements continued

and technology (PP&T) segment of EnergySolutions and Howard Humphreys (East Africa) Limited (Howard Humphreys) (see note 16); impairment of goodwill and intangible assets of HOE of £23.3m (see notes 15 and 16); £2.9m impairment of goodwill for the European aerospace business (see note 15); £5.1m of external costs in relation to the acquisition of PP&T (see note 11); £3.7m of deferred payment arising on the acquisition of HOE; external fees of £0.4m in relation to the recommended offer for the Company by SNC-Lavalin (see note 11); £1.6m additional profit on the disposal of part of the Group's freehold property at Woodcote Grove (see note 11) and £45.6m gain on disposal of the minority PFI investment in the UK's M25 motorway (see note 11).

Unallocated central items reported in the year ended 31 March 2016 comprise: £6.3m of intangible asset amortisation relating to the acquisitions of PBSJ, Confluence, NSA, HOE and Terramar; £3.3m of external fees in relation to the acquisition of PP&T; £3.2m of deferred payment arising on the acquisition of HOE; £1.5m pension curtailment gain and £6.5m gain on disposal of part of the Group's freehold property at Woodcote Grove.

A reconciliation of segmental operating profit to profit before tax is provided as follows:

	2017 £m	2016 £m
Operating profit	154.1	143.4
Net profit/(loss) on disposal of businesses	0.5	(3.1)
Income from other investments	0.6	1.1
Share of post-tax profit from joint ventures	4.8	0.7
Profit before interest and tax	160.0	142.1
Finance income	4.3	4.0
Finance costs	(16.6)	(15.0)
Net finance costs	(12.3)	(11.0)
Profit before tax	147.7	131.1

Balance Sheet

	Total segment assets £m	Total segment liabilities £m	Net assets/ (liabilities) £m	Investments in joint ventures £m	Capital expenditure £m	Depreciation, amortisation and impairment £m
2017						
UK and Europe	480.5	(244.8)	235.7	4.0	7.0	10.4
North America	360.8	(78.0)	282.8	–	6.9	5.0
Middle East and Africa	169.2	(77.1)	92.1	–	13.8	3.3
Asia Pacific	81.4	(54.5)	26.9	–	2.4	2.9
Energy	432.7	(92.7)	340.0	8.9	251.5	1.6
Total for segments	1,524.6	(547.1)	977.5	12.9	281.6	23.2
Group items:						
Unallocated central items	48.2	(607.2)	(559.0)	–	0.3	55.4
Total for Group	1,572.8	(1,154.3)	418.5	12.9	281.9	78.6

Balance Sheet continued

2016	Total segment assets £m	Total segment liabilities £m	Net assets/ (liabilities) £m	Investments in joint ventures £m	Capital expenditure £m	Depreciation, amortisation and impairment £m
UK and Europe	584.2	(264.7)	319.5	4.0	8.6	13.0
North America	449.8	(57.7)	392.1	–	4.8	4.3
Middle East	144.7	(87.1)	57.6	–	3.4	2.6
Asia Pacific	68.0	(47.2)	20.8	–	1.4	2.7
Energy	112.2	(26.0)	86.2	0.3	1.7	1.2
Total for segments	1,358.9	(482.7)	876.2	4.3	19.9	23.8
Group items:						
Unallocated central items	28.4	(615.3)	(586.9)	–	–	6.3
Total for Group	1,387.3	(1,098.0)	289.3	4.3	19.9	30.1

Assets and liabilities are allocated based on the operations of the segments and the physical location or territory of the asset or liability.

Group cash balances, derivative financial instruments, financial assets at fair value through profit or loss, centrally managed joint ventures and corporate assets are not considered to be segment assets as they are managed centrally. Consequently they are shown within unallocated central items.

Similarly, post-employment benefit liabilities, bank loans and private placement debt, derivative financial instruments, central tax provisions and corporate liabilities are not considered to be segment liabilities as they are managed centrally. Consequently they are shown within unallocated central items.

Capital expenditure includes additions to goodwill, other intangible assets and property, plant and equipment.

b) Group geographical segments

External revenue is measured by location of operation. There was no material difference between geographic revenue by location of operation and by location of customer.

The Group considers the UK to be its country of domicile. Outside the UK, only the Group's business in the US contributes more than 10% of the Group's revenue or non-current assets.

	Revenue		Non-current assets	
	2017 £m	2016 £m	2017 £m	2016 £m
UK	927.0	960.9	97.0	100.7
US	636.7	398.6	498.3	237.5
Other	517.8	502.4	59.5	47.1
Total for Group	2,081.5	1,861.9	654.8	385.3

Non-current assets exclude deferred tax assets and derivative financial instruments.

c) Major customers

In the year ended 31 March 2017, revenue from the UK Government represented approximately £217.5m (2016: £200.3m) of the Group's total revenue and is included within the UK and Europe and Energy segments.

Notes to the Financial Statements continued

4 Joint ventures

Aggregate financial information for all individually immaterial joint ventures.

Income Statement – continuing operations

	Group	
	2017 £m	2016 £m
Share of post-tax profit from joint ventures	4.8	0.7

Balance Sheet

	Group	
	2017 £m	2016 £m
Investments in joint ventures	12.9	4.3

The Group's joint ventures are detailed in note 41.

5 Operating profit – analysis of costs by nature

	Note	Group	
		2017 £m	2016 £m
Operating profit is arrived at after charging/(crediting):			
Profit on disposal of minority PFI investment in the UK's M25 motorway	11	(45.6)	–
Profit on sale of property, plant and equipment		(1.4)	(6.7)
Impairment of goodwill	15	21.4	–
Amortisation and impairment of intangibles	16	37.5	11.9
Deferred acquisition payments		3.7	3.2
Depreciation of property, plant and equipment	17	19.7	18.2
Employee benefit costs	6	1,182.3	1,095.3
Impairment of trade receivables/(reversal of impairment)			
– increase in provisions	24	11.9	9.4
– release of provisions	24	(10.6)	(11.1)
Receivables written off as uncollectable	24	(0.4)	–
Net foreign exchange (gains)/losses		(9.6)	4.9
Payments under operating leases		63.2	60.8
Receipts under operating leases		(5.0)	(4.5)
Research and development expenditure credit (RDEC)		(4.9)	(5.4)

Company operating profit was arrived at after generating £nil of realised profit on disposal of investments (2016: £nil).

Services provided by the Group's auditor

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor:

	Group	
	2017 £m	2016 £m
Statutory audit of the Company and Group Financial Statements	0.4	0.3
The audit of the Financial Statements of Group companies pursuant to legislation:		
– UK	0.4	0.4
– Non-UK	1.0	0.6
Audit-related assurance services	0.1	0.1
Total audit services	1.9	1.4
Taxation compliance services	0.9	1.5
Taxation advisory services	0.7	1.4
Total non-audit services	1.6	2.9
Total	3.5	4.3

Included in total non-audit services for 2017 are £nil (2016: £0.6m) of costs in relation to the acquisition of PP&T.

The fee for the statutory audit of the Company's annual Financial Statements was £0.1m (2016: £0.1m). £nil of other services were provided to the Company by the Group's auditor (2016: £nil).

6 Employee benefit costs

	Monthly average		Year end	
	2017 Number	2016 Number	2017 Number	2016 Number
Number of full-time-equivalent people (including executive directors, but excluding agency staff) employed by the Group				
By segment:				
UK and Europe	8,811	9,116	8,750	9,014
North America	2,811	2,750	2,872	2,741
Middle East and Africa	2,359	2,412	2,388	2,349
Asia Pacific	1,248	1,291	1,224	1,214
Energy	2,282	1,759	2,216	1,761
Corporate	128	85	138	93
Total for Group	17,639	17,413	17,588	17,172

Notes to the Financial Statements continued

Aggregate employee benefit costs of those people amounted to:

	Note	Group	
		2017 £m	2016 £m
Wages and salaries, including restructuring costs		1,047.6	965.7
Social security costs		71.1	69.5
Pension curtailment gain	30	–	(1.5)
Defined benefit current service cost	30	2.3	2.6
Charge for defined contribution schemes	30	45.3	43.3
Other post-employment benefit costs	30	4.6	4.2
Share-based payments	33	11.4	11.5
Total		1,182.3	1,095.3

Wages and salaries include £4.2m of restructuring costs (2016: £7.5m) relating to continuing operations.

Details of remuneration for key management are included in note 39.

7 Net finance costs

	Note	Group	
		2017 £m	2016 £m
Interest payable on borrowings		6.8	3.2
Unwinding of discount on vacant property		–	0.1
Unwind of discount on contingent and deferred consideration		0.1	0.4
Net finance costs on net post-employment benefit liabilities	30	9.1	10.6
Other finance costs		0.6	0.7
Finance costs		16.6	15.0
Interest receivable on short term deposits		(0.4)	(0.8)
Interest income on financial assets at fair value through profit or loss		(0.8)	(0.3)
Unwinding of discount on deferred consideration		(0.9)	(0.3)
Interest receivable on loan notes		(2.1)	(2.4)
Other finance income		(0.1)	(0.2)
Finance income		(4.3)	(4.0)
Net finance costs		12.3	11.0

Company net finance costs were £0.5m (2016: £1.1m).

8 Income tax expense

a) Analysis of charge in the year

	Note	Group	
		2017 £m	2016 £m
Current income tax			
– current tax on profits for the year		43.9	33.2
– adjustment in respect of prior years		(1.4)	(6.3)
Deferred income tax	19		
– origination and reversal of temporary differences		(24.8)	(1.1)
– effect of changes in tax rates		1.2	1.9
Income tax charged to Consolidated Income Statement		18.9	27.7
Adjust for:			
– taxation on exceptional items		1.2	–
– taxation on impairment of goodwill		7.2	–
– taxation on impairment of acquired intangibles		1.9	–
– taxation on amortisation of acquired intangibles		10.9	2.4
– taxation on deferred acquisition payments		1.4	1.2
Underlying income tax expense		41.5	31.3
Profit before tax per Consolidated Income Statement		147.7	131.1
Adjust for:			
– exceptional items		(41.7)	(4.7)
– impairment of goodwill		21.4	–
– impairment of acquired intangibles		4.8	–
– amortisation of acquired intangibles		29.2	6.3
– deferred acquisition payments		3.7	3.2
– net (profit)/loss on disposal of businesses		(0.5)	3.1
Underlying profit before income tax		164.6	139.0
Effective income tax rate		12.8%	21.1%
Underlying effective income tax rate		25.2%	22.5%

Notes to the Financial Statements continued

b) Factors affecting income tax rate

The income tax rate for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	Group	
	2017 %	2016 %
UK statutory income tax rate	20.0	20.0
Increase/(decrease) resulting from:		
Expenses not deductible for tax purposes	0.3	0.8
Gain on disposal not taxable	(6.2)	–
Adjustment in respect of overseas tax rates	0.6	3.2
Effect of share-based payments	(0.3)	0.2
Tax on joint ventures	(0.6)	–
Research and development tax credits (non-UK)	(1.2)	(3.5)
Losses not/(not previously) recognised for tax	0.1	(1.3)
Effect of change in tax rates	0.8	1.4
Other	(0.7)	0.3
Effective income tax rate	12.8	21.1

The underlying income tax rate for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	Group	
	2017 %	2016 %
UK statutory income tax rate	20.0	20.0
Increase/(decrease) resulting from:		
Expenses not deductible for tax purposes	0.5	0.9
Adjustment in respect of overseas tax rates	6.4	4.3
Effect of share-based payments	(0.3)	0.1
Tax on joint ventures	(0.6)	–
Research and development tax credits (non-UK)	(1.1)	(3.3)
Losses not/(not previously) recognised for tax	0.2	(1.2)
Effect of change in tax rates	0.7	1.4
Other	(0.6)	0.3
Underlying effective income tax rate	25.2	22.5

The rate of corporation tax in the UK as at 31 March 2017 was 20%. Legislation to reduce the rate of UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020 was substantively enacted on 26 October 2015. Further legislation to reduce the rate of UK corporation tax to 17% from 1 April 2020 (rather than the 18% previously announced) was substantively enacted on 6 September 2016 and the impact is reflected in the figures above.

c) Income tax on components of other comprehensive income

The tax (charge)/credit relating to components of other comprehensive income is as follows:

2017	Group		Total £m
	Post-employment benefit liability £m	Cash flow hedges £m	
At 1 April	48.7	0.3	49.0
Deferred income tax	(5.0)	–	(5.0)
Current income tax	5.1	(1.6)	3.5
At 31 March	48.8	(1.3)	47.5

2016	Group		Total £m
	Post-employment benefit liability £m	Cash flow hedges £m	
At 1 April	54.4	–	54.4
Deferred income tax	(10.5)	–	(10.5)
Current income tax	4.8	0.3	5.1
At 31 March	48.7	0.3	49.0

9 Net profit/(loss) on disposal of businesses

	Group	
	2017 £m	2016 £m
Profit/(loss) on disposal of businesses		
WS Atkins – (Portugal) CEPI Limitada	–	(3.1)
UK highways services	0.5	–
Net profit/(loss) on disposal	0.5	(3.1)

UK highways services

On 27 February 2013 contracts were exchanged to dispose of the Group's UK highways services business, which formed part of the UK highways and transportation business, to Skanska Construction UK Limited (Skanska), a wholly owned subsidiary of Skanska AB. The business was sold for a cash consideration of £16.0m (subject to certain completion adjustments), together with a deferred conditional amount of £2.0m.

Of the available deferred conditional consideration, £0.5m was received and recognised as a profit on disposal for the year ended 31 March 2015. During the year ended 31 March 2017, a further £0.5m consideration was received and recognised as profit on disposal of businesses.

WS Atkins – (Portugal) CEPI Limitada

In July 2015, the Group announced the completion of its disposal of WS Atkins (Portugal) CEPI Limitada to an international investment fund. All staff and assets transferred on 24 June 2015.

While the assets and liabilities of the Portuguese business represent a disposal group, the business was not reported as a discontinued operation at 31 March 2016 as it did not represent a major line of business.

The Portuguese business was reported within the UK and Europe operating segment (note 3) prior to its disposal.

Notes to the Financial Statements continued

The loss on disposal at 24 June 2015 was as follows:

	2016 £m
Net consideration received or receivable at date of disposal	
Initial cash consideration	–
Disposal consideration	–
Assets and liabilities at date of disposal	
Deferred income tax assets	0.1
Cash and cash equivalents	2.4
Trade and other receivables	0.5
Trade and other payables	(0.3)
Net assets	2.7
Loss on disposal before costs	(2.7)
Disposal costs incurred	(0.4)
Loss on disposal	(3.1)

10 Business combinations

PP&T

On 11 April 2016, the Group acquired PP&T for a cash consideration of US\$318.0m (approximately £224.0m).

PP&T is a 600-person nuclear business that delivers a wide range of technical engineering and programme management services for the decontamination and decommissioning of high hazard government nuclear facilities.

The acquisition strengthens the Group's nuclear multidisciplinary capability with bases in North America, the UK and China.

At 30 September 2016, the fair value of acquired assets, liabilities and goodwill for this business combination were determined on a provisional basis, pending finalisation of the post-acquisition review of the fair value of the acquired net assets. Under IFRS 3, *Business combinations*, adjustments to these provisional values can be made within one year of the date of acquisition relating to facts and circumstances that existed at the acquisition date.

The goodwill arising from the acquisition is attributable to the extensive complimentary skills which enable the combined operation to provide an enhanced offering to clients and extend to reach new markets.

The following table summarises the consideration paid for PP&T and the fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 11 April 2016	US\$m	£m
Initial cash consideration	318.0	224.0
Completion working capital adjustment	1.5	1.1
Total consideration	319.5	225.1

Fair value amounts recognised at the acquisition date for each major class of assets and liabilities assumed are as follows:

	US\$m	£m
Acquired customer relationships (included in Intangible assets)	157.5	110.9
Intellectual property (included in Intangible assets)	54.8	38.6
Net retirement benefit assets	17.0	12.0
Deferred tax asset	7.6	5.4
Investments in joint ventures	4.7	3.3
Property, plant and equipment	0.6	0.4
Trade and other receivables	35.9	25.3
Deferred income tax liabilities on acquired Intangible assets	(60.4)	(42.6)
Trade and other payables	(41.5)	(29.1)
Total identifiable net assets	176.2	124.2
Goodwill	143.3	100.9
Total consideration	319.5	225.1

As at 31 March 2017, acquisition-related costs of £5.1m were charged to administrative expenses in the Consolidated Income Statement.

The fair value of trade and other receivables is £25.3m and includes trade receivables of £13.8m. The gross contractual amount for trade receivables due is £15.7m, £1.9m of which is expected to be uncollectable.

The revenue and underlying profit before tax included in the Group Consolidated Statement of Comprehensive Income since 11 April 2016 contributed by PP&T were £142.8m and £20.4m respectively.

Had PP&T been consolidated from 1 April 2016, the Group's Consolidated Income Statement for the year ended 31 March 2017 would show revenue of £2,085.0m and profit before tax of £164.9m.

Howard Humphreys

On 3 October 2016, the Group acquired Howard Humphreys for a cash consideration of 1,364m Kenyan shillings subject to working capital adjustments.

Howard Humphreys is a multidisciplinary consultancy based in Kenya and Tanzania, which employs around 200 people.

At 31 March 2017, the fair value of acquired assets, liabilities and goodwill for this business combination were determined on a provisional basis, pending finalisation of the post-acquisition review of the fair value of the acquired net assets. Under IFRS 3, *Business combinations*, adjustments to these provisional values can be made within one year of the date of acquisition relating to facts and circumstances that existed at the acquisition date.

The goodwill arising from the acquisition is attributable to the extensive complimentary skills which enable the combined operation to provide an enhanced offering to clients and extend to reach new markets.

The following table summarises the consideration paid for Howard Humphreys and the fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 3 October 2016

	KESm	£m
Initial cash consideration	1,364.0	10.4
Completion working capital adjustment	(35.9)	(0.2)
Total consideration	1,328.1	10.2

Notes to the Financial Statements continued

Fair value amounts recognised at the acquisition date for each major class of assets and liabilities assumed are as follows:

	KESm	£m
Acquired customer relationships (included in Intangible assets)	267.7	2.1
Intellectual property (included in Intangible assets)	17.3	0.1
Deferred tax assets	24.9	0.2
Trade and other receivables	364.3	2.8
Cash	37.4	0.3
Trade and other payables	(306.3)	(2.3)
Income tax liabilities	(40.7)	(0.3)
Deferred tax liabilities on acquired Intangible assets	(87.3)	(0.7)
Total identifiable net assets	277.3	2.2
Goodwill	1,050.8	8.0
Total consideration	1,328.1	10.2

The fair value of trade and other receivables is £2.8m and includes trade receivables of £1.3m. The gross contractual amount for trade receivables due is £1.6m, £0.3m of which is expected to be uncollectable.

The revenue and underlying loss before tax included in the Group Consolidated Statement of Comprehensive Income since 3 October 2016 contributed by Howard Humphreys were £2.2m and £0.8m respectively.

Had Howard Humphreys been consolidated from 1 April 2016, the Group's Consolidated Income Statement for the year ended 31 March 2017 would show revenue of £2,084.5m and profit before tax of £165.4m.

11 Exceptional items

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

An analysis of the amounts presented as exceptional items in these Financial Statements is given below:

	Group	
	2017 £m	2016 £m
Profit on disposal of property	1.6	6.5
Profit on disposal of minority PFI investment in the UK's M25 motorway	45.6	–
External costs in relation to acquisition of PP&T	(5.1)	(3.3)
External costs in relation to the recommended offer for the Company by SNC-Lavalin	(0.4)	–
Curtailement gain relating to one-off pension events	–	1.5
	41.7	4.7

The exceptional items above are included within administrative expenses in the Group's Consolidated Income Statement.

The sale of part of the Group's Woodcote Grove property in Epsom completed on 30 September 2015 and resulted in a pre and post-tax profit on disposal of £6.5m being recognised at 31 March 2016. There was no tax on the profit on disposal as the taxable gain will be reduced to nil by indexation allowance. In December 2016, the purchaser of Woodcote Grove sold on the development, triggering an additional taxable profit of £1.6m net of stamp duty and legal fees.

The disposal of the investment in Connect Plus (M25) Holdings Ltd and Connect Plus (M25) Intermediate Ltd occurred in December 2016. The cash consideration received was £66.3m and a profit on disposal of £45.6m was recognised, net of legal fees. No tax arises on the gain due to a specific UK exemption.

In November 2015, the Group signed an agreement to acquire PP&T, an international nuclear engineering services business headquartered in North America. The transaction completed on 11 April 2016. Consistent with the Group's treatment of such costs on similar scale acquisitions in prior periods, the external fees to 31 March 2017 of £5.1m in relation to the acquisition have been classified as an exceptional item.

Legal fees of £0.4m have been incurred as a result of the acquisition of the entire issued and to be issued share capital of WS Atkins Limited, formerly WS Atkins plc, by SNC-Lavalin (GB) Holdings Limited, an indirect subsidiary of SNC-Lavalin Group Inc. on 3 July 2017. These costs have been classified as an exceptional item.

For details of the pension curtailment gain, refer to note 30.

12 Dividends

	Company and Group			
	2017 pence	2016 pence	2017 £m	2016 £m
Final dividend paid for the year ended 31 March 2016 (2015)	27.80	25.50	27.0	24.8
Interim dividend paid for the year ended 31 March 2017 (2016)	12.50	11.70	12.2	11.4
Dividends recognised in the year	40.30	37.20	39.2	36.2
Interim dividend paid for the year ended 31 March 2017 (2016)	12.50	11.70	12.2	11.4
Final dividend proposed for the year ended 31 March 2017 (2016)	–	27.80	–	27.0
Dividends relating to the year	12.50	39.50	12.2	38.4

There is no proposed final dividend for the year ended 31 March 2017, given the acquisition of the entire issued and to be issued share capital of WS Atkins Limited, formerly WS Atkins plc, by SNC-Lavalin (GB) Holdings Limited, an indirect subsidiary of SNC-Lavalin Group Inc. on 3 July 2017.

As at 31 March 2017 one EBT had an agreement in place to waive dividends in excess of 0.01p per share on 213,461 ordinary shares (2016: 213,461). A separate EBT also had an agreement in place as at 31 March 2017 to waive future dividends in their entirety on 2,505,920 ordinary shares (2016: 2,606,304). These arrangements reduced the dividends paid in year by £1.1m (2016: £1.0m).

As at 31 March 2017, 4,341,000 ordinary shares (2016: 4,341,000) were held by the Company as treasury shares on which no dividends are paid. These shares reduced the dividends paid in year by £1.7m (2016: £1.6m).

13 Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue during the year, excluding shares held by the EBTs which have not unconditionally vested to the employees and shares held in treasury.

Diluted EPS is the basic EPS after allowing for the dilutive effect of the conversion into ordinary shares of the number of options and awards outstanding during the year. The options and awards relate to discretionary employee share plans.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Group	
	2017 Number (000)	2016 Number (000)
Number of shares		
Weighted average number of shares used in basic and underlying basic EPS	97,314	97,366
Effect of dilutive securities – share options	2,607	2,796
Weighted average number of shares used in diluted and underlying diluted EPS	99,921	100,162

	Note	Group	
		£m	£m

Notes to the Financial Statements continued

Earnings			
Profit for the year attributable to owners of the parent		129.8	103.2
Exceptional items (net of tax)	11	(42.9)	(4.7)
Goodwill impairment (net of tax)	15	14.2	–
Impairment of acquired intangibles (net of tax)	16	2.9	–
Amortisation of acquired intangibles (net of tax)	16	18.3	3.9
Deferred acquisition payments (net of tax)	10	2.3	2.0
Net (profit)/loss on disposal of businesses (net of tax)	9	(0.5)	3.1
Underlying earnings		124.1	107.5
		pence	pence
Basic EPS		133.4	106.0
Diluted EPS		129.9	103.0
Underlying basic EPS		127.5	110.4
Underlying diluted EPS		124.2	107.3

14 Parent Company Income Statement and Statement of Comprehensive Income

The Company has not presented its own Income Statement or Statement of Comprehensive Income as permitted by Section 408 of the Companies Act 2006. The profit and total comprehensive income for the year attributable to the owners of the parent was £115.9m (2016: £54.9m), which included £122.3m (2016: £56.2m) of dividend income from subsidiary companies.

The Company's individual Income Statement and Statement of Comprehensive Income were approved by the Board on 10 August 2017.

15 Goodwill

	Note	Group	
		2017 £m	2016 £m
Cost at 1 April		265.3	255.9
Additions	10	108.9	–
Difference on exchange		39.9	9.4
Cost at 31 March		414.1	265.3
Aggregate impairment at 1 April		12.1	11.5
Impairment charge for the year		21.4	–
Difference on exchange		(0.2)	0.6
Aggregate impairment at 31 March		33.3	12.1
Net book value at 31 March		380.8	253.2

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.

Goodwill is allocated to the Group's CGU, or group of CGUs, that management has identified in order to carry out impairment tests.

The following is a summary of goodwill allocation by CGU or group of CGUs, summarised at the operating segment level:

	Group	
	2017 £m	2016 £m
UK and Europe	48.7	49.7
North America	171.9	151.5
Middle East and Africa	8.2	–
Asia Pacific	6.6	5.9
Energy	145.4	46.1
Total	380.8	253.2

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 is based on the higher of fair value less costs to sell and value-in-use. An impairment loss is recognised immediately when the carrying value of those assets exceeds their recoverable amount.

Cash generating units

Following the reorganisation of our global Energy business into five regional divisions, which took effect on 1 August 2016, the CGUs for the purpose of testing goodwill allocated to the Energy operating segment have changed. In accordance with IAS 36, this reorganisation requires a reallocation of goodwill previously allocated to the CGUs of the former reporting structure. There were no changes to the goodwill allocation at the operating segment level.

Recoverable amount

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of a CGU or group of CGUs in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Value-in-use is the present value of the future cash flows expected to be derived from the CGU or group of CGUs.

Fair value is assessed from an external perspective and value-in-use from a Group internal perspective. Both are determined using a business valuation model, taking into account planned future cash flows. If available, third-party valuations are taken as a basis for determining fair value.

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, and the Group's formal five-year plan. The key assumptions in both the budget and the five-year plan relate to revenue and profit margins. 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 the budget are extrapolated for the next four years using an estimated growth rate and projected margin for all CGUs, or groups of CGUs, except for the North America operating segment and the two businesses operating in the Americas that are part of the Energy operating segment. The Group's formal five-year plan is used for these parts of the business as it provides a better indication of their future performance. The growth rates used to extrapolate the budgets are between 1.8% to 2.9% and are based on the economic environment for the country or region in which the CGU operates. 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 or region in which the CGU operates of between 1.7% and 3.1%. 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 or the Group's formal five-year plan margin expectations. The projections do not include the impact of future restructuring projects to which the Group is not yet committed.

Notes to the Financial Statements continued

The cash flows have been discounted using the CGU's specific pre-tax discount rates of between 10.6% and 15.1%. The discount rates have been calculated using the capital asset pricing model to determine the cost of equity and are adjusted for risks specific to the CGU. The discount rates are 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:

	Group	
	2017	2016
Five year growth rate	1.8% – 2.9%	1.9% – 3.0%
Post five year growth rate	1.7% – 3.1%	1.8% – 3.2%
Pre-tax discount rate	10.6% – 15.1%	8.9% – 13.1%

Impairment loss

North America oil and gas CGU

As a result of the reorganisation of our global Energy business, the carrying amount of goodwill in the North America oil and gas CGU that arose from the acquisition of the oil and gas offshore engineering business, HOE, was reviewed during the year and, as a consequence, has been fully impaired resulting in a loss of £18.5m. This impairment charge relates solely to the goodwill and has been recognised in the Consolidated Income Statement within administrative expenses as an unallocated central item. The carrying amount of goodwill in this CGU at 31 March 2017 is £nil.

In addition, £4.8m of intangible assets were impaired as part of the same exercise, being the residual impairment required to bring the carrying amount of the CGU to its recoverable amount. This amount has been recognised in the Consolidated Income Statement within administrative expenses as an unallocated central item.

At the year end, the recoverable amount of the Group's North America oil and gas CGU was determined using an internal value-in-use calculation, a key input to which is the Group's formal five-year plan which covers the period to 2022. The other assumptions used for this value-in-use calculation are the long-term growth rate and the discount rate as follows:

	2017	2016
Post five year growth rate	1.8%	1.8%
Pre-tax discount rate	14.6%	10.7%

Sensitivity analysis has been performed on the key assumptions used in the value-in-use calculations. The two assumptions to which the value-in-use calculations are most sensitive are projected profit margin and the discount rate. Specific sensitivity analysis with regard to these assumptions shows that, with respect to the profit margin, it would need to fall by 70 basis points before the carrying value of the CGU would exceed its recoverable amount, and similarly the pre-tax discount rate would need to increase from 14.6% to 16.8%. Goodwill has been fully impaired, so any further impairment would be to the carrying value of the intangible assets.

European aerospace

Following the decision in March 2017 to close Atkins B.V. (our aerospace consultancy based in the Netherlands) and, eventually, to liquidate the company, the carrying amount of goodwill arising on the acquisition of the company in 2007 was identified as being directly attributable to the operation. As a consequence, the net book value of the remaining goodwill has been fully impaired resulting in a loss of £2.9m. This impairment charge has been recognised in the Consolidated Income Statement within administrative expenses as an unallocated central item. There is no significant risk of the carrying value of the CGU, to which this goodwill has been allocated, exceeding its recoverable amount.

Sensitivity analysis

The groups of CGUs for which the carrying amount of goodwill is deemed significant, in comparison with the Group's total carrying amount of goodwill are the North America group of CGUs and the Americas nuclear group of CGUs that is part of the Energy operating segment.

Sensitivity analysis continued

North America group of CGUs

Goodwill of £171.9m (2016: £151.5m) allocated to the North America operating segment includes £162.9m of goodwill arising on the acquisition of PBSJ. The recoverable amount of this group of CGUs has been determined using an internal value-in-use calculation, key inputs to which are the Group's 2017/18 budget and the formal five-year plan for the North America business, which covers the period to March 2022. The other assumptions used for this value-in-use calculation are the long-term growth rate and the discount rate as follows:

	2017	2016
Post five year growth rate	1.7%	2.0%
Pre-tax discount rate	14.4%	12.2%

Given the materiality of goodwill allocated to the North America group of CGUs, sensitivity analysis has been performed on the key assumptions used in the value-in-use calculations. The two assumptions to which these value-in-use calculations are most sensitive are projected profit margin and the discount rate. Specific sensitivity analysis with regard to these assumptions shows that, with respect to the profit margin, it would need to fall by 210 basis points before any impairment would be triggered, and similarly the pre-tax discount rate would need to increase from 14.4% to 18.9%.

The Americas nuclear group of CGUs

Goodwill of £145.4m (2016: £46.1m) allocated to the Energy operating segment includes £114.0m of goodwill arising on the acquisition of the PP&T business in North America that is allocated to the Americas nuclear group of CGUs. The recoverable amount of this group of CGUs has been determined using an internal value-in-use calculation, key inputs to which are the Group's 2017/18 budget and the formal five-year plan for the Americas nuclear business, which covers the period to March 2022. The other assumptions used for this value-in-use calculation are the long-term growth rate and the discount rate as follows:

	2017
Post five year growth rate	1.8%
Pre-tax discount rate	14.5%

Given the materiality of goodwill allocated to the Americas nuclear group of CGUs, sensitivity analysis has been performed on the key assumptions used in the value-in-use calculations. The two assumptions to which these value-in-use calculations are most sensitive are projected profit margin and the discount rate. Specific sensitivity analysis with regard to these assumptions shows that, with respect to the profit margin, it would need to fall by 80 basis points before any impairment would be triggered, and similarly the pre-tax discount rate would need to increase from 14.5% to 15.4%.

For the CGUs other than those disclosed above, management has considered the level of headroom resulting from the impairment tests. Where appropriate, further sensitivity analysis has been performed by changing the base case assumptions applicable to each CGU. The analysis has indicated that no reasonably possible change in any individual key assumption would cause the carrying amount of any CGU to exceed its recoverable amount. As at 31 March 2017 and 2016, based on these valuations, the recoverable value of the remaining goodwill in these other CGUs required no impairment.

Notes to the Financial Statements continued

16 Other intangible assets

	Note	Group				Total £m
		Acquired customer relationships £m	Corporate information systems £m	Trade names and trademarks £m	Software licences £m	
Cost at 1 April 2015		62.2	0.2	9.2	29.3	100.9
Additions		–	–	–	3.0	3.0
Disposals		–	–	–	(4.7)	(4.7)
Divestment of subsidiary undertakings		–	–	–	(0.1)	(0.1)
Difference on exchange		2.7	–	(0.3)	0.4	2.8
Cost at 31 March 2016		64.9	0.2	8.9	27.9	101.9
Additions		–	–	–	1.9	1.9
Acquisition of subsidiary undertakings	10	113.0	–	38.7	–	151.7
Disposals		(1.7)	–	–	(10.1)	(11.8)
Difference on exchange		19.7	–	7.3	1.5	28.5
Cost at 31 March 2017		195.9	0.2	54.9	21.2	272.2
Accumulated amortisation and impairment at 1 April 2015		23.2	0.2	2.1	21.1	46.6
Amortisation charge for the year	5	4.8	–	1.7	5.4	11.9
Disposals		–	–	–	(4.5)	(4.5)
Divestment of subsidiary undertakings		–	–	–	(0.1)	(0.1)
Difference on exchange		0.7	–	0.1	0.4	1.2
Accumulated amortisation and impairment at 31 March 2016		28.7	0.2	3.9	22.3	55.1
Amortisation charge for the year	5	14.5	–	15.0	3.2	32.7
Impairment charge for the year		2.6	–	2.2	–	4.8
Disposals		(1.7)	–	–	(10.0)	(11.7)
Difference on exchange		2.1	–	1.1	1.3	4.5
Accumulated amortisation and impairment at 31 March 2017		46.2	0.2	22.2	16.8	85.4
Net book value at 31 March 2017		149.7	–	32.7	4.4	186.8
Net book value at 31 March 2016		36.2	–	5.0	5.6	46.8

The Group acquired £149.5m of intangible assets through the acquisition of PP&T (£38.6m in respect of intellectual property and £110.9m in respect of customer relationships and backlog orders).

The Group acquired £2.2m of intangible assets through the acquisition of Howard Humphreys (£0.1m in respect of tradenames and £2.1m in respect of customer relationships and backlog orders).

Included in the amortisation charge for the year ended 31 March 2017 is £29.2m in respect of acquired intangibles.

The amortisation charge for the year is £32.7m (2016: £11.9m) and is included in administrative expenses in the Consolidated Income Statement. The impairment charge for the period of £4.8m (2016: £nil) is included in the administrative expenses in the Consolidated Income Statement and arises from the impairment review of the North America oil and gas CGU (refer to note 15).

17 Property, plant and equipment

	Note	Group			Total £m
		Freehold land and buildings £m	Short-term leasehold property £m	Plant, machinery and vehicles £m	
Cost at 1 April 2015		21.5	34.3	83.4	139.2
Additions		–	4.0	12.9	16.9
Disposals		(7.8)	(3.1)	(17.1)	(28.0)
Divestment of subsidiary undertakings		–	–	(0.4)	(0.4)
Difference on exchange		0.6	0.8	2.2	3.6
Cost at 31 March 2016		14.3	36.0	81.0	131.3
Additions		0.5	6.0	12.5	19.0
Acquisition of subsidiary undertakings	10	–	0.4	–	0.4
Disposals		–	(1.5)	(11.6)	(13.1)
Difference on exchange		1.4	2.4	7.0	10.8
Cost at 31 March 2017		16.2	43.3	88.9	148.4
Accumulated depreciation at 1 April 2015		9.1	24.2	52.3	85.6
Depreciation charge for the year	5	0.4	3.5	14.3	18.2
Disposals		(6.3)	(3.1)	(17.0)	(26.4)
Divestment of subsidiary undertakings		–	–	(0.4)	(0.4)
Difference on exchange		0.2	0.4	1.8	2.4
Accumulated depreciation at 31 March 2016		3.4	25.0	51.0	79.4
Depreciation charge for the year	5	0.4	4.5	14.8	19.7
Disposals		–	(1.4)	(11.4)	(12.8)
Difference on exchange		0.2	1.5	5.0	6.7
Accumulated depreciation at 31 March 2017		4.0	29.6	59.4	93.0
Net book value at 31 March 2017		12.2	13.7	29.5	55.4
Net book value at 31 March 2016		10.9	11.0	30.0	51.9

The depreciation charge for the year of £19.7m (2016: £18.2m) is included in administrative expenses in the Consolidated Income Statement.

An independent valuation of the Group's freehold land and buildings was performed by valuers to determine their fair value at 31 March 2017. The market value of freehold land and buildings is estimated at £13.4m (2016: £12.5m).

Included in plant, machinery and vehicles above are equipment and vehicles held under finance leases and hire purchase contracts as follows:

	2017 £m	2016 £m
Cost	0.2	0.2
Accumulated depreciation	(0.1)	(0.1)
Net book value	0.1	0.1

Notes to the Financial Statements continued

18 Investments in subsidiaries

	Company Total £m
Cost at 1 April 2015	210.4
Additions	9.4
Disposals	(0.4)
Cost at 31 March 2016	219.4
Additions	11.5
Cost at 31 March 2017	230.9
Impairment at 1 April 2015	3.7
Disposals	(0.4)
Impairment at 31 March 2016	3.3
Impairment charge for the year	5.4
Impairment at 31 March 2017	8.7
Net book value at 31 March 2017	222.2
Net book value at 31 March 2016	216.1

The impairment charge of £5.4m (2016: £nil) is due to the closure of Atkins B.V. and reduces the net book value of this investment, in the company, to nil.

The Group's subsidiaries are disclosed in note 41.

19 Deferred income tax

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:

	Group	
	2017 £m	2016 £m
Deferred tax assets:		
– deferred tax assets to be recovered after more than 12 months	50.9	62.7
– deferred tax assets to be recovered within 12 months	7.5	3.8
	58.4	66.5
Deferred tax liabilities:		
– deferred tax liabilities to be settled after more than 12 months	(22.6)	(6.9)
– deferred tax liabilities to be settled within 12 months	(4.5)	(4.8)
	(27.1)	(11.7)
Deferred tax assets (net)	31.3	54.8

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) Net deferred tax assets/(liabilities)

	Group	
	2017 £m	2016 £m
Accelerated depreciation	6.9	6.4
Share-based payments	3.6	3.6
Goodwill	2.7	(2.6)
Post-employment benefit liabilities	42.2	49.3
Deferred income	(9.5)	(14.2)
Amortisation of acquired intangibles	(46.4)	(8.6)
Employee benefits	16.5	11.3
Other temporary differences	15.3	9.6
Total deferred income tax	31.3	54.8

b) Analysis of movements during the year

	Note	Group	
		2017 £m	2016 £m
Deferred tax assets at 1 April		54.8	66.7
Deferred tax credited/(charged) to the Consolidated Income Statement	8	23.6	(0.8)
Deferred tax on acquisitions	10	(37.7)	–
Deferred tax charged to equity		(5.0)	(11.0)
Foreign exchange difference on deferred tax		(4.4)	(0.1)
Deferred tax assets at 31 March		31.3	54.8

The Finance Act 2016 enacted a reduction to the rate of UK corporation tax to 17% from 1 April 2020. As the Finance Act 2016 had been enacted as at the balance sheet date, the impact of these reductions have been reflected in the movements in deferred tax as at 31 March 2017.

20 Financial risk management

Financial risk factors

The Group'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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group'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 the 'Treasury policies and objectives' section (note 2).

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

a) Market risk

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The following foreign exchange risk and interest rate risk analyses, required by IFRS 7, *Financial Instruments: Disclosures*, are intended to illustrate the sensitivity to changes in market variables, being primarily the US dollar to sterling exchange rate and UK interest rates.

Notes to the Financial Statements continued

The following assumptions were made in calculating the sensitivity analyses:

- changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the Consolidated Income Statement
- changes in the carrying value of other financial instruments not in hedging relationships only affect the Consolidated Income Statement.

i) Foreign exchange risk

The Group operates in a number of international territories. Each business undertakes a large proportion of its commercial transactions within its local market and in its local functional currency. Foreign exchange risk arises from a proportion of commercial transactions undertaken in currencies other than the local functional currency, from financial assets and liabilities denominated in currencies other than the local functional currency and on the Group's investments in foreign operations.

Group policy is for each business 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. Remaining financial assets and liabilities denominated in currencies other than the local functional currency include bank accounts, loans and intercompany funding balances. These are generally unhedged, with the exception of balances that are themselves designated as hedging instruments used to hedge the Group's investments in foreign operations.

The Group's primary exposure to foreign exchange risk on unhedged financial instruments arises mainly in respect of movements between the US dollar (including dollar pegged currencies) and sterling.

At 31 March 2017, if sterling had strengthened by a reasonably possible change of 10% against the US dollar, post-tax profit for the year would have been lower by approximately £0.4m (2016: £0.4m higher). If sterling had weakened by a reasonably possible change of 10% against the US dollar, post-tax profit for the year would have been higher by approximately £0.5m (2016: £0.5m lower).

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. A proportion of the currency exposure arising from the net assets of the Group's foreign operations is managed through borrowings denominated in the relevant foreign currencies.

ii) Interest rate risk

The Group's exposure to interest rate risk arises from cash and cash equivalents and financial assets at fair value through profit or loss which are all interest bearing, offset in part by interest bearing bank loans. The majority of these items are at floating rates of interest or fixed deposits for periods of less than six months; changes in the interest rate results in changes in interest-related cash flows. No interest hedging is currently undertaken by the Group or its subsidiaries. If interest rates for the year to 31 March 2017 had been 10 basis points higher/lower, post-tax profit for the year would have been approximately £0.2m (2016: £0.2m) higher/lower.

iii) Price risk

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

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the Consolidated Balance Sheet as financial assets at fair value through profit or loss. To manage this risk, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

Management monitors exposures to price risk on an ongoing basis.

The Group 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 Group 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 Group will suffer financial loss as a result of counterparties defaulting on their contractual obligations.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, 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 Group's Balance Sheet at 31 March. The Group does not hold any collateral as security. The Group's policy is that cash and investments should not be concentrated with any one counterparty.

For trade and other receivables, concentration of credit risk is very limited due to the Group'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 focused on the recovery of debtors. There is no recent history of default.

c) Liquidity risk

The Group funds its activities through cash generated from its operations and, where necessary, borrowings and finance leases. The Group's borrowing facilities include bank facilities and private placement debt. Cash flow forecasting is performed in the operating entities of the Group and aggregated by a central finance department (Group Finance). Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 27) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Any surplus cash is invested by Group Treasury in interest bearing current accounts, term deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the forecasts mentioned above.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group 2017			Total £m
	On demand or within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	
Finance leases	0.1	–	–	0.1
Bank loans ¹	4.0	4.0	209.7	217.7
Private placement debt ¹	2.9	2.9	61.8	67.6
Other borrowings	–	–	0.2	0.2
Trade payables	99.3	–	–	99.3

	Group 2016			Total £m
	On demand or within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	
Finance leases	–	0.1	–	0.1
Bank loans ¹	10.0	3.1	225.3	238.4
Private placement debt ¹	2.5	2.5	56.0	61.0
Trade payables	75.1	–	–	75.1

Notes to the Financial Statements continued

	Company 2017			Total £m
	On demand or within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	
Bank loans ¹	4.0	4.0	209.7	217.7
Private placement debt ¹	2.9	2.9	61.8	67.6
Intercompany payables	21.2	–	–	21.2

	Company 2016			Total £m
	On demand or within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	
Bank loans ¹	10.0	3.1	225.3	238.4
Private placement debt ¹	2.5	2.5	56.0	61.0
Intercompany payables	51.9	–	–	51.9

¹ The contractual cash flows in each year include the borrowings maturing in that year together with forecast contractual interest payments on those borrowings. Interest is estimated using the prevailing rate at the Balance Sheet date. Cash flows in foreign currencies are translated at the spot rates at the Balance Sheet date.

d) Concentrations of financial instruments

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

	2017		2016	
	Financial assets £m	Financial liabilities £m	Financial assets £m	Financial liabilities £m
Sterling	229.4	314.8	269.5	322.6
US dollar	166.3	31.4	333.3	18.8
Saudi Arabian riyal	24.8	0.7	8.4	0.4
Qatari riyal	22.6	2.1	27.1	2.9
HK dollar	22.7	0.6	16.2	–
Euro	13.4	1.0	15.7	1.1
UAE dirham	35.4	6.9	38.6	8.1
China RMB	13.0	0.3	10.9	0.2
Danish krone	8.5	0.9	8.3	0.7
Norwegian krone	6.1	0.9	6.2	–
Canadian dollar	6.8	0.1	2.2	–
Singapore dollar	4.2	0.5	6.0	0.4
Australian dollar	4.1	0.2	4.3	0.1
Swedish krone	3.7	0.6	3.7	0.4
Other	21.4	1.4	15.2	–
Total	582.4	362.4	765.6	355.7

d) Concentrations of financial instruments continued

As at 31 March 2017, the carrying value of the financial assets of the Company are denominated in US dollars (£269.0m) and sterling (£105.9m). The carrying value of the financial liabilities of the Company are denominated in US dollars (£263.0m), sterling (£21.0m) and euros (£2.2m).

As at 31 March 2016, the carrying value of the financial assets of the Company were denominated in US dollars (£281.6m) and sterling (£59.0m). The carrying value of the financial liabilities of the Company were denominated in US dollars (£280.5m) and sterling (£51.9m).

Financial assets consist of loan notes; deferred consideration receivable; trade receivables (net); intercompany receivables (nil in Consolidated Financial Statements); amounts due from joint ventures; financial assets at fair values through profit or loss and cash and cash equivalents.

Financial liabilities consist of trade payables; intercompany payables (nil in Consolidated Financial Statements) and borrowings.

Capital risk management

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

The Group maintains or adjusts its capital structure through the payment of dividends to shareholders and through its borrowing facilities.

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

The ratios of net debt plus net defined benefit pension deficit net of total deferred tax to underlying EBITDA as at 31 March 2017 and 2016 were as follows:

		Group	
	Note	2017 £m	2016 £m
Total borrowings	27	263.1	280.6
Less: cash and cash equivalents	26	(224.5)	(419.3)
Net debt/(funds)		38.6	(138.7)
Net defined benefit pension deficit	30	235.7	265.3
Net deferred tax asset	19	(31.3)	(54.8)
Net debt plus net defined pension deficit net of total deferred tax		243.0	71.8
Profit before interest and tax		160.0	142.1
Add: depreciation	5	19.7	18.2
Add: amortisation and impairment	5	58.9	11.9
EBITDA		238.6	172.2
Add: net (profit)/loss on disposal of businesses		(0.5)	3.1
Less: exceptional items	11	(41.7)	(4.7)
Add: deferred acquisition payments	10	3.7	3.2
Underlying EBITDA		200.1	173.8
Ratios of net debt plus net defined benefit pension deficit net of total deferred tax to underlying EBITDA		1.2	0.4

Notes to the Financial Statements continued

Total capital, as shown below, is calculated as 'equity' as shown in the Consolidated Balance Sheet adjusted for net debt/(funds). Net debt/(funds) is calculated as total borrowings less cash and cash equivalents:

	Note	Group	
		2017 £m	2016 £m
Total borrowings	27	263.1	280.6
Less: cash and cash equivalents	26	(224.5)	(419.3)
Net debt/(funds)		38.6	(138.7)
Total equity		418.5	289.3
Total capital		457.1	150.6

Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2017 and 2016:

	2017				2016			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Derivatives used for hedging								
– Foreign exchange contracts	–	13.7	–	13.7	–	3.3	–	3.3
Financial assets at fair value through profit or loss								
Marketable securities								
– Fixed interest securities	23.3	–	–	23.3	24.2	–	–	24.2
– Life insurance policies	–	3.1	–	3.1	–	2.9	–	2.9
– Floating rate notes	5.2	–	–	5.2	5.8	–	–	5.8
– UK treasury bills	–	–	–	–	–	–	–	–
Total assets	28.5	16.8	–	45.3	30.0	6.2	–	36.2
Liabilities								
Derivatives used for hedging								
– Foreign exchange contracts	–	1.5	–	1.5	–	1.5	–	1.5
Financial liabilities at fair value through profit or loss								
– Contingent consideration	–	–	3.7	3.7	–	–	1.9	1.9
Total liabilities	–	1.5	3.7	5.2	–	1.5	1.9	3.4

There have been no changes to the classification of the Group's financial instruments carried at fair value between Level 1, Level 2 and Level 3 at 31 March 2017 or 2016.

d) Concentrations of financial instruments continued

Level 1 financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the mid market price.

Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The fair value of life insurance policies is determined using the market value of underlying investments as advised by fund actuaries. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date and yield curves derived from quoted interest rates matching the maturities of the foreign exchange contracts.

Level 3 financial instruments

The fair value of financial instruments for an asset or liability that are not based on observable market data (that is, unobservable inputs) are Level 3 financial instruments.

Level 3 valuation technique and significant unobservable inputs

For the year ending 31 March 2017, the contingent consideration was an existing cost, belonging to PP&T and as a result of one of its previous acquisitions, which was recorded at fair value in the at acquisition balance sheet. The main Level 3 inputs used in estimating the contingent consideration payment are based on revenue and funding targets for the next 7.75 years. PP&T prepares detailed forecasts on the acquisition of a business and updates these on a quarterly basis as part of its normal operating processes. These forecasts are based on past experience. The fair value of the contingent consideration arrangement was £3.9m (\$5.5m) at the PP&T acquisition date and is discounted at a discount rate of 2.4%.

The comparative figures for March 2016 related to a previous acquisition by the Group which has been released during the year.

Level 3 inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value of the Level 3 financial instrument would increase if there was a change in either the annual revenue, annual operating profit or the risk-adjusted discount rate.

Level 3 sensitivity analysis

A reasonable possible change to annual revenue and annual operating profit of 5% and a change of 100bps to the discount rate, holding other inputs constant, would not result in a significant change in the fair value.

Specific valuation techniques used to value financial instruments include:

- the fair value of derivatives used for hedging which are provided by The Royal Bank of Scotland, HSBC, Barclays, Santander and Bank of America Merrill Lynch
- the fair value of all marketable securities, with the exception of life insurance policies, which are provided by the financial institutions holding the Group's funds and investments
- the fair value of all life insurance policies which are provided by the Group's insurance companies.

Notes to the Financial Statements continued

Offsetting financial assets and financial liabilities*As a 31 March 2017*

	Gross amounts of recognised financial assets/ (liabilities) £m	Gross amounts of recognised financial assets/ (liabilities) set off the Balance Sheet £m	Net amounts of financial assets/ (liabilities) presented in the Balance Sheet £m	Related amounts not set off in Balance Sheet – financial instruments £m	Net amount £m
Derivative financial assets	13.7	–	13.7	(1.5)	12.2
Derivative financial liabilities	(1.5)	–	(1.5)	1.5	–
Cash and cash equivalents	227.8	(3.3)	224.5	–	224.5
Credit balance	(3.3)	3.3	–	–	–
Total	236.7	–	236.7	–	236.7

As at 31 March 2016

	Gross amounts of recognised financial assets/ (liabilities) £m	Gross amounts of recognised financial assets/ (liabilities) set off the Balance Sheet £m	Net amounts of financial assets/ (liabilities) presented in the Balance Sheet £m	Related amounts not set off in Balance Sheet – financial instruments £m	Net amount £m
Derivative financial assets	3.3	–	3.3	(0.9)	2.4
Derivative financial liabilities	(1.5)	–	(1.5)	0.9	(0.6)
Cash and cash equivalents	430.6	(11.3)	419.3	–	419.3
Credit balance	(11.3)	11.3	–	–	–
Total	421.1	–	421.1	–	421.1

21 Financial instruments

Financial instruments by category

	Note	Group 2017			Total £m
		Loans and receivables £m	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	
Assets as per Balance Sheet					
Derivative financial instruments	22	–	–	13.7	13.7
Other receivables	23	3.1	–	–	3.1
Trade and other receivables excluding prepayments	24	558.7	–	–	558.7
Financial assets at fair value through profit or loss	25	–	31.6	–	31.6
Cash and cash equivalents	26	224.5	–	–	224.5
Total		786.3	31.6	13.7	831.6

	Note	Other financial liabilities at amortised cost £m	Group 2017		Total £m
			Liabilities at fair value through profit and loss £m	Derivatives used for hedging £m	
Liabilities as per Balance Sheet					
Borrowings excluding finance lease liabilities	27	(263.0)	–	–	(263.0)
Finance lease liabilities	27	(0.1)	–	–	(0.1)
Derivative financial instruments	22	–	–	(1.5)	(1.5)
Trade and other payables excluding non-financial liabilities	28	(293.6)	(0.6)	–	(294.2)
Other non-current liabilities	31	–	(3.1)	–	(3.1)
Total		(556.7)	(3.7)	(1.5)	(561.9)

	Note	Group 2016			Total £m
		Loans and receivables £m	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	
Assets as per Balance Sheet					
Derivative financial instruments	22	–	–	3.3	3.3
Other receivables	23	29.1	–	–	29.1
Trade and other receivables excluding prepayments	24	448.8	–	–	448.8
Financial assets at fair value through profit or loss	25	–	32.9	–	32.9
Cash and cash equivalents	26	419.3	–	–	419.3
Total		897.2	32.9	3.3	933.4

	Note	Other financial liabilities at amortised cost £m	Group 2016		Total £m
			Liabilities at fair value through profit and loss £m	Derivatives used for hedging £m	
Liabilities as per Balance Sheet					
Borrowings excluding finance lease liabilities	27	(280.5)	–	–	(280.5)
Finance lease liabilities	27	(0.1)	–	–	(0.1)
Derivative financial instruments	22	–	–	(1.5)	(1.5)
Trade and other payables excluding non-financial liabilities	28	(275.2)	–	–	(275.2)
Other non-current liabilities	31	–	(1.9)	–	(1.9)
Total		(555.8)	(1.9)	(1.5)	(559.2)

Notes to the Financial Statements continued

	Note	Company 2017	
		Loans and receivables £m	Total £m
Assets as per Balance Sheet			
Trade and other receivables excluding prepayments	24	371.6	371.6
Cash and cash equivalents	26	1.5	1.5
Other receivables		0.7	0.7
Total		373.8	373.8

	Note	Other financial liabilities at amortised cost £m	
			Total £m
Liabilities as per Balance Sheet			
Borrowings	27	(262.8)	(262.8)
Trade and other payables excluding non-financial liabilities	28	(21.2)	(21.2)
Total		(284.0)	(284.0)

	Note	Company 2016	
		Loans and receivables £m	Total £m
Assets as per Balance Sheet			
Trade and other receivables excluding prepayments	24	339.5	339.5
Cash and cash equivalents	26	1.4	1.4
Other receivables		1.0	1.0
Total		341.9	341.9

	Note	Other financial liabilities at amortised cost £m	
			Total £m
Liabilities as per Balance Sheet			
Borrowings	27	(280.5)	(280.5)
Trade and other payables excluding non-financial liabilities	28	(51.9)	(51.9)
Total		(332.4)	(332.4)

22 Derivative financial instruments

The table below shows the fair value of forward currency contracts at the year end, based on their market value:

	Group			
	2017		2016	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current	5.7	(0.8)	1.3	(0.5)
Later than one year and no later than two years	4.3	(0.5)	0.9	(0.6)
Later than two years and no later than five years	3.7	(0.2)	1.1	(0.4)
Non-current	8.0	(0.7)	2.0	(1.0)
Total	13.7	(1.5)	3.3	(1.5)

The notional principal amounts of the outstanding foreign exchange contracts at 31 March 2017 and 2016 are as follows:

	Group			
	2017		2016	
	Sell £m	Buy £m	Sell £m	Buy £m
Forward contracts to purchase GBP, sell USD	1.3	(1.2)	2.6	(2.5)
Forward contracts to purchase GBP, sell EUR	20.9	(19.9)	11.1	(10.8)
Forward contracts to purchase GBP, sell Other	0.4	(0.4)	2.1	(2.0)
Forward contracts to purchase INR, sell GBP	66.3	(85.9)	51.7	(61.2)
Forward contracts to purchase INR, sell USD	35.7	(41.1)	30.2	(32.6)

The derivatives hedge highly probable forecast transactions denominated in foreign currency. The gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as at 31 March 2017 will be recognised in the Consolidated Income Statement in the period or periods during which the hedged forecast transaction affects the Consolidated Income Statement.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity derivative is more than 12 months and as a current asset or liability if the maturity of the derivative is less than 12 months.

The amounts disclosed in the table below are the contractual undiscounted cash flows of forward currency contracts at the year end:

	Group					
	2017			2016		
	Inflow £m	Outflow £m	Net £m	Inflow £m	Outflow £m	Net £m
Current	48.9	(43.2)	5.7	40.3	(38.2)	2.1
Later than one year and no later than two years	35.2	(29.4)	5.8	31.3	(28.6)	2.7
Later than two years and no later than five years	64.4	(52.3)	12.1	37.5	(30.8)	6.7
Non-current	99.6	(81.7)	17.9	68.8	(59.4)	9.4
Total	148.5	(124.9)	23.6	109.1	(97.6)	11.5

The Group used derivative instruments to hedge foreign currency receipts and payments on current contracts, as described in note 20. All of the Group's financial instruments are classified as Level 2 under amendments to IFRS 13, *Fair value measurement*. A definition of Level 2 financial instruments is included in note 20. The fair value of derivative financial instruments is calculated based on quoted forward currency rates at the Balance Sheet date.

The Group has reviewed all contracts for embedded derivatives and does not have any such instruments that are closely related to the host contract.

Notes to the Financial Statements continued

23 Other receivables

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Non-current assets:				
Loan notes receivable	0.2	19.7	–	–
Deferred consideration receivable	2.2	6.7	–	–
Deferred finance costs	0.7	1.0	0.7	1.0
Other receivables	–	1.7	–	–
Total	3.1	29.1	0.7	1.0

At 31 March 2017, the Group had £nil interest-bearing loan notes in Connect Plus (M25) Intermediate Limited (2016: £19.7m) after the sale of our minority PFI investment in the UK's M25 motorway. The £0.2m at 31 March 2017 related to the non-current portion of £0.6m loan notes received on the sale of the Houston lab, discounted at a rate of 5.0% to July 2019.

Deferred consideration receivable of £2.2m at 31 March 2017 relates to the £2.5m additional consideration receivable on the previous sale of the Woodcote Grove property in Epsom, triggered by the onward sale in December 2016 (2016: £6.7m). This is discounted at a rate of 8.8% and is due to be received in October 2018. The £6.7m deferred consideration as at 31 March 2016 related to the original profit on sale of the property and was received in cash during the year.

None of the other receivables are past due.

24 Trade and other receivables

	Note	Group		Company	
		2017 £m	2016 £m	2017 £m	2016 £m
Current assets:					
Trade receivables		345.7	313.6	–	–
Less: provision for impairment of receivables		(32.4)	(28.3)	–	–
Trade receivables – net		313.3	285.3	–	–
Amounts recoverable on contracts		202.4	135.0	–	–
Amounts due from subsidiary undertakings	39	–	–	371.3	339.2
Amounts due from joint ventures	39	10.6	1.7	–	–
Deferred finance costs		0.3	0.3	0.3	0.3
Other receivables		32.2	26.5	–	–
Prepayments and accrued income		31.1	31.2	–	–
Total		589.8	480.0	371.6	339.5

The directors consider that the carrying amounts of trade and other receivables approximate their fair value.

At 31 March 2017, £186.1m (2016: £172.7m) of Group trade receivables were within normal payment terms and considered to be fully performing.

At 31 March 2017, £98.2m (2016: £95.1m) of Group trade receivables were past due and aged up to six months from invoice date and carry a provision for impairment of £nil (2016: nil). These Group trade receivables of £98.2m (2016: £95.1m) which were past due and aged up to six months from invoice date but not impaired relate to a number of independent customers for whom there is no recent history of default.

Group trade receivables aged beyond six months of invoice date totalled £61.4m (2016: £45.8m) and carried a provision for impairment of £32.4m (2016: £28.3m).

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

	Group	
	2017 £m	2016 £m
Provision for impairment at beginning of year	(28.3)	(29.2)
Increase in provisions	(11.9)	(9.4)
Release of provisions	10.6	11.1
Receivables written off as uncollectable	0.4	–
Difference on exchange	(3.2)	(0.8)
Provision for impairment at end of year	(32.4)	(28.3)

None of the financial assets that are fully performing were renegotiated during the year. The other classes within trade and other receivables do not contain impaired assets.

At 31 March 2017, £0.5m of the Company's amounts due from subsidiary undertakings were fully provided against (2016: £0.5m), with an in-year release of provisions of £nil (2016: £nil), see note 39.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

25 Financial assets at fair value through profit or loss

In accordance with IFRS 13, *Fair value measurement*, disclosure is required for financial instruments that are measured in the Consolidated Balance Sheet at fair value. This requires disclosure of fair value measurements by level.

The Group's financial assets that are measured and recognised at fair value through profit or loss include fixed interest securities, life insurance policies, floating rate notes and UK treasury bills. The Group's financial liabilities that are measured and recognised at fair value include derivative financial instruments.

The fair value of the Group's derivative financial instruments are disclosed in note 22.

For the Group's financial assets measured at fair value through profit or loss, refer to note 21.

A definition of Level 1 and Level 2 financial instruments is included in note 20. There have been no changes to the classification of financial assets between Level 1 and Level 2 financial instruments at 31 March 2017 or 2016.

Changes in fair values of financial assets at fair value through profit or loss include fair value gain of £0.8m (2016: £0.3m loss).

26 Cash and cash equivalents

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Cash at bank and in hand	224.5	372.4	1.5	1.4
Short term bank deposits	–	46.9	–	–
Total	224.5	419.3	1.5	1.4

The effective interest rate on cash and cash equivalents was 0.2% (2016: 0.4%). Included within cash at bank and in hand is £1.0m (2016: £2.2m) held by the Company's EBTs.

Notes to the Financial Statements continued

27 Borrowings

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Current				
Bank loans	–	7.0	–	7.0
Finance leases	0.1	–	–	–
	0.1	7.0	–	7.0
Non-current				
Bank loans	203.1	220.9	203.1	220.9
Private placement debt	59.7	52.6	59.7	52.6
Other borrowings	0.2	–	–	–
Finance leases	–	0.1	–	–
	263.0	273.6	262.8	273.5
Total	263.1	280.6	262.8	280.5

The directors consider that the carrying amounts of borrowings and the private placement debt approximates their fair value.

The maturity profile of the carrying amount of the non-current borrowings was as follows:

	Group							
	2017				2016			
	Bank loans and private placement debt ¹ £m	Other borrowings £m	Finance leases £m	Total £m	Bank loans and private placement debt ¹ £m	Other borrowings £m	Finance leases £m	Total £m
Repayable:								
Later than one year and no later than two years	–	–	–	–	–	–	0.1	0.1
Later than two years and no later than five years	262.8	0.2	–	263.0	273.5	–	–	273.5
Later than five years	–	–	–	–	–	–	–	–
	262.8	0.2	–	263.0	273.5	–	0.1	273.6

The carrying amount of borrowings are denominated in the following currencies:

	Group							
	2017				2016			
	Bank loans and private placement debt ¹ £m	Other borrowings £m	Finance leases £m	Total £m	Bank loans and private placement debt ¹ £m	Other borrowings £m	Finance leases £m	Total £m
Sterling	–	–	–	–	–	–	–	–
US dollar	262.8	–	0.1	262.9	280.5	–	0.1	280.6
Saudi Riyal	–	0.2	–	0.2	–	–	–	–
	262.8	0.2	0.1	263.1	280.5	–	0.1	280.6

¹ The bank loans and private placement debt relate to the Company.

The total present value of minimum lease payments under finance leases fall due as follows:

	Group	
	2017 £m	2016 £m
No later than one year	0.1	–
Later than one year and no later than five years	–	0.1
Future finance charges on finance leases	0.1	0.1
Present value of finance lease payables	–	–
	0.1	0.1

Finance leases are on a fixed repayment basis, with interest rates fixed at the contract date. The average effective borrowing rate for the finance leases was 0.5% (2016: 2.2%) over a weighted average remaining period of 16 months (2016: 26 months).

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 March expiring as follows:

	Group	
	2017 £m	2016 £m
Later than two years and no later than five years	96.7	71.9

All of the Group's undrawn committed borrowing facilities are subject to fixed rates of interest.

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 a new RCF of £100m, with a maturity of three years. On 23 February 2017, the Group exercised an option to extend the facility by an additional year. This £100m facility now matures on 11 March 2020. The total letters of credit in issue under the committed facilities at 31 March 2017 was £0.2m (31 March 2016: £0.2m).

The £100m facility has the following lenders: Bank of America Merrill Lynch International Limited, Barclays Bank plc, HSBC Bank plc and National Westminster Bank plc. The £200m facility additionally has the following lenders: The National Bank of Abu Dhabi PJSC London Branch, Abbey National Treasury Services plc and United Overseas Bank Limited London Branch.

The Group's borrowing facilities include a number of undertakings and financial covenants. Compliance with these covenants is monitored. As at 31 March 2017, and since, there have been no breaches (2016: none).

In the financial year ended 31 March 2013, the Group raised \$75m through the successful execution of its debut issue in the US private placement market. The proceeds were used to repay drawn funds under the Group's existing banking facilities. The private placement is due for repayment on 31 May 2019 and carries a nominal interest rate of 4.38%.

28 Trade and other payables

Note	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Current liabilities:				
Trade payables	99.3	75.1	–	–
Fees invoiced in advance	155.7	165.4	–	–
Amounts due to subsidiary undertakings	39	–	21.2	51.9
Social security and other taxation	40.7	42.9	–	–
Contingent consideration on acquisitions	0.6	–	–	–
Deferred consideration on acquisitions	0.2	0.7	–	–
Accruals and deferred income	198.2	164.9	1.6	1.2
Lease incentives	11.9	10.9	–	–
Other payables	26.5	23.1	–	–
	533.1	483.0	22.8	53.1

The directors consider that the carrying values of the Group's trade and other payables approximate their fair value.

Notes to the Financial Statements continued

29 Provisions for other liabilities and charges

	Group	
	2017 Vacant property £m	2016 Vacant property £m
Current	1.3	1.1
Later than one year and no later than two years	1.4	1.1
Later than two years and no later than five years	0.8	1.2
Later than five years	0.7	0.5
Non-current	2.9	2.8
Total	4.2	3.9

	Group Vacant property £m
Balance at 1 April 2016	3.9
Businesses acquired	1.5
Provisions charged to the Income Statement	1.7
Provisions released to the Income Statement	(1.0)
Provisions utilised	(2.0)
Difference on exchange	0.1
Balance at 31 March 2017	4.2

The vacant property provision is discounted and is expected to be utilised over the next 9 years (2016: 9 years). No provision has been released or utilised for any purpose other than that for which it was established.

30 Post-employment benefit liabilities

The Group's net post-employment benefit liabilities are analysed below:

	Group	
	2017 £m	2016 £m
Net retirement benefit liabilities	(251.5)	(265.3)
Other post-employment benefit liabilities	(23.4)	(20.5)
	(274.9)	(285.8)
Net retirement benefit assets	15.8	–
Net post-employment benefit liabilities	(259.1)	(285.8)

a) Net retirement benefit liabilities

The Group, through trustees, operates a number of defined benefit and defined contribution pension schemes.

Defined contribution schemes are those where the Group's obligation is limited to the amount that it contributes to the scheme and the scheme members bear the investment and actuarial risks.

Defined benefit schemes are schemes other than defined contribution schemes where the Group's obligation is to provide specified benefits on retirement.

The two main defined benefit schemes are the Atkins Pension Plan (APP) and the Railways Pension Scheme (RPS), both of which are funded final salary schemes. The assets of both schemes are held in separate trustee-administered funds. Other pension schemes include the Atkins McCarthy Pension Plan in the Republic of Ireland, which is a final salary funded defined benefit scheme, Terramar AS Pension Plan in Norway, and a range of defined contribution schemes or equivalent. As part of the acquisition on 11 April 2016 (refer note 10), the Group took over the EnergySolutions Section of the Magnox Group of the Electricity Supply Pension Scheme (ESPS), a funded final salary scheme. At 31 March 2017 this scheme reported net retirement benefit assets of £15.8m.

As part of the PP&T acquisition (refer note 10), one of the UK companies purchased had a defined benefit scheme, the GPS EnergySolutions Section of the Combined Nuclear Pension Plan (CNPP), for which all future funding costs, and other such liabilities, were agreed to be borne by the seller. The Group is fully indemnified against any future costs of the scheme, and indeed the seller assumed a further obligation to terminate the scheme at its own cost, through a buy-out or otherwise. Additionally, the Group has no right to any accounting surpluses that may arise in respect of CNPP. The assets and liabilities of the scheme have been included in the consolidated results for the Group, however, the net IAS 19 asset has been written down to £nil. To date, the scheme remains open and the seller continues its responsibility to fulfil any future funding requirements.

The schemes operate under trust law and are managed and administered by trustees on behalf of the members in accordance with the terms of the trust deed and rules and relevant legislation. Defined benefit contributions are determined in consultation with the trustees, after taking actuarial advice. The trustees are responsible for establishing the investment strategy and ensuring that there are sufficient assets to meet the cost of current and future benefits.

The APP is closed to the future accrual of benefit; all defined benefit members of the APP were transferred to a defined contribution section for future service where it was clear they did not benefit from a statutory or contractual right to a final salary pension.

The RPS recognised a curtailment gain in the year ended 31 March 2016. The curtailment gain arose for members moving from the uncapped salary category or retail price index (RPI) capped salary category to the consumer price index (CPI) capped category. The reduction in the past service liability for this curtailment is £1.5m and this has been recognised as a curtailment gain in the year ended 31 March 2016.

The RPS invests in a range of pooled investment funds intended to generate a combination of capital growth and income and, as determined by the trustee, taking account of the characteristics of the obligations and the trustee's attitude to risk. The majority of the RPS's assets that are intended to generate additional returns, over the rate at which the obligations are expected to grow, are invested in a single pooled 'growth' fund. This fund is invested in a wide range of asset classes and the fund manager RPMI has the discretion to vary the asset allocation to reflect its views on the relative attractiveness of different asset classes at any time. The remaining assets in the RPS are principally fixed and index-linked bonds. The triennial funding valuation as at 31 December 2016 is currently underway.

The assets of the ESPS are held in a separate trustee-administered fund. Under the ESPS, employees are entitled to annual pensions on retirement at normal retirement age of one-eightieth of final pensionable salary for each year of service, plus a cash lump sum of three-eightieths of final pensionable salary for each year of service. Benefits are also payable on death and following other events such as withdrawing from active service. No other post-employment benefits are provided to these employees.

The Atkins McCarthy Pension Plan was closed to future accrual of benefits for members who do not benefit from a statutory or contractual right to a final salary pension on 31 March 2009. These members transferred to the Personal Retirement Savings Accounts – Ireland (PRSA – Irish Life) scheme with effect from 1 April 2009.

The Terramar AS Pension Plan was closed to new entrants on 1 January 2009. It is a funded pension scheme and is managed by DNB (Norway's largest financial services group). In order to obtain full pension entitlements, the scheme participants are required to complete 30 years of pensionable service prior to them obtaining the right to a life-long retirement pension corresponding to the difference between 66% of the employee's salary at retirement and estimated benefits from the Norwegian National Insurance Scheme. Economic and actuarial assumptions comply with prevailing technical recommendations in Norway.

The defined benefit sections of all pension schemes are mostly closed to new entrants, who are offered membership of the defined contribution section.

Membership of the Group's principal pension schemes is as follows:

	Defined benefit schemes				Defined contribution schemes			
	Atkins Pension Plan		Railways Pension Scheme		Atkins Pension Plan		Faithful+Gould	
	2017 No.	2016 No.	2017 No.	2016 No.	2017 No.	2016 No.	2017 No.	2016 No.
Members	5	5	131	157	7,609	7,703	636	742
Deferred pensioners	6,450	6,669	302	296	12,303	11,542	1,562	1,517
Pensioners	3,640	3,539	429	413	–	–	–	–
	10,095	10,213	862	866	19,912	19,245	2,198	2,259

Notes to the Financial Statements continued

The main assumptions used for the IAS 19 valuation of the retirement benefit liabilities for the APP, RPS and the ESPS are listed in the table below:

	2017	2016
Price inflation		
RPI	3.10%	2.90%
CPI	2.10%	1.90%
Rate of increase of pensions in payment		
Limited Price Indexation (RPI-based)	2.90%	2.80%
Limited Price Indexation (CPI-based)	2.20%	2.00%
Limited Price Indexation to 2.5%	2.50%	2.50%
Fixed	5.00%	5.00%
Rate of increase in salaries		
APP and ESPS	3.10%	4.40%
RPS (uncapped)	3.85%	5.15%
RPS (RPI-capped)	3.10%	2.90%
RPS (CPI-capped)	2.10%	1.90%
Rate of increase for deferred pensioners		
APP and ESPS	3.10%	2.90%
RPS	2.10%	1.90%
Discount rate	2.50%	3.50%
Longevity at age 65 for current pensioners		
Men (APP and RPS)	23.6 years	24.3 years
Women (APP and RPS)	25.2 years	26.2 years
Men (ESPS)	23.8 years	n/a
Women (ESPS)	25.1 years	n/a
Longevity at age 65 for future pensioners (current age 45)		
Men (APP and RPS)	25.4 years	26.6 years
Women (APP and RPS)	27.1 years	28.5 years
Men (ESPS)	25.5 years	n/a
Women (ESPS)	27.0 years	n/a

The actuarial tables used to calculate the retirement benefit liabilities for the APP at 31 March 2017 were the 'SAPS' (Self-Administered Pension Schemes) S2 tables and a scaling factor of 0.85/0.90 for males/females respectively. Future improvements are based on Continuous Mortality Investigation (CMI) 2015 improvements with a 1.25% per annum improvement trend, based on year-of-use application. The RPS results have been adjusted on an approximate basis to be based on the same mortality tables.

For the ESPS the actuarial tables used were the 'SAPS' (Self-Administered Pension Schemes) S1 Light table. Future improvements have been updated on an approximate basis to be CMI 2015 improvements with a 1.25% per annum improvement trend, based on year of use application.

At 31 March 2016, the actuarial tables used to calculate the retirement benefit liabilities for the APP were the 'SAPS' (Self-Administered Pension Schemes) S1 tables with medium cohort improvements from 2002 up to 2009 and a scaling factor of 0.85/0.90 for males/females respectively. Future improvements were based on Continuous Mortality Investigation (CMI) improvements with a 1.5% per annum improvement trend, based on year-of-use application.

The Group considered moving to CMI 2016 with a 1.25% trend, but decided to align into the recently undertaken 2016 triennial valuation and use CMI 2015 for the year ended 31 March 2017. Had CMI 2016 been used, this would have reduced the liabilities of the APP as at 31 March 2017 by around £40m.

The components of the pension cost are as follows:

2017	Note	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Cost of sales							
Current service cost		0.1	1.8	0.3	–	0.1	2.3
Administrative expenses		–	0.2	–	–	–	0.2
Total charge		0.1	2.0	0.3	–	0.1	2.5
Net interest expense/(income)		6.2	2.1	(0.4)	–	0.1	8.0
Total charge/(credit) to Income Statement for defined benefit schemes		6.3	4.1	(0.1)	–	0.2	10.5
Charge for defined contribution schemes		–	–	–	–	45.3	45.3
Total charge/(credit) to Income Statement		6.3	4.1	(0.1)	–	45.5	55.8
Statement of Comprehensive Income							
Gain on pension scheme assets		243.1	18.8	10.1	2.9	0.3	275.2
Changes in assumptions		(239.9)	(36.0)	(6.6)	(2.9)	1.9	(283.5)
Remeasurements gain/(loss) recognised in other comprehensive income		3.2	(17.2)	3.5	–	2.2	(8.3)
Net deferred and income tax (charged)/credited to equity	8	(1.5)	2.6	(0.5)	–	(0.5)	0.1
Remeasurements gain/(loss) (net of deferred tax)		1.7	(14.6)	3.0	–	1.7	(8.2)

2016	Note	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Cost of sales							
Current service cost		0.1	2.4	–	–	0.1	2.6
Administrative expenses		–	0.2	–	–	–	0.2
Curtailment gain		–	(1.5)	–	–	–	(1.5)
Total charge		0.1	1.1	–	–	0.1	1.3
Net interest expense		7.1	2.4	–	–	0.2	9.7
Total charge to Income Statement for defined benefit schemes		7.2	3.5	–	–	0.3	11.0
Charge for defined contribution schemes		–	–	–	–	43.3	43.3
Total charge to Income Statement		7.2	3.5	–	–	43.6	54.3
Statement of Comprehensive Income							
Loss on pension scheme assets		(9.3)	–	–	–	(0.3)	(9.6)
Changes in assumptions		8.5	7.6	–	–	1.8	17.9
Remeasurements (loss)/gain recognised in other comprehensive income		(0.8)	7.6	–	–	1.5	8.3
Net deferred and income tax charged to equity	8	(2.9)	(2.6)	–	–	(0.2)	(5.7)
Remeasurements (loss)/gain (net of deferred tax)		(3.7)	5.0	–	–	1.3	2.6

Notes to the Financial Statements continued

2017	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Defined benefit obligation	(1,760.1)	(313.6)	(54.3)	(28.5)	(18.9)	(2,175.4)
Fair value of plan assets	1,596.6	230.7	70.1	28.5	13.8	1,939.7
Retirement benefit (liabilities)/assets	(163.5)	(82.9)	15.8	–	(5.1)	(235.7)

2016	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Defined benefit obligation	(1,529.3)	(273.2)	–	–	(19.4)	(1,821.9)
Fair value of plan assets	1,335.2	209.0	–	–	12.4	1,556.6
Retirement benefit liabilities	(194.1)	(64.2)	–	–	(7.0)	(265.3)

Other includes the Atkins McCarthy Pension Plan of £4.0m (2016: £5.9m), the Terramar AS Pension Plan and an unfunded pension obligation in relation to a former director of £1.6m (2016: £1.3m). The Terramar AS Pension Plan had a net retirement asset of £0.4m at 31 March 2017 (2016: £0.2m asset).

The major categories of plan assets as a percentage of total plan assets for the Group's principal pension schemes are as follows:

2017	Atkins Pension Plan		Railways Pension Scheme		ESPS	
	%	£m	%	£m	%	£m
Equities – quoted in an active market	–	–	71.6	165.0	–	–
Equities – unquoted	28.3	451.1	–	–	–	–
Government bonds – quoted in an active market	56.2	896.8	14.2	32.8	42.2	29.5
Government bonds – unquoted swaps and repos	(6.3)	(100.0)	–	–	–	–
Corporate bonds – quoted in an active market	–	–	14.2	32.8	–	–
Corporate bonds – unquoted	8.3	132.5	–	–	–	–
Property	8.9	142.8	–	–	–	–
Cash	0.8	12.4	–	0.1	4.7	3.3
Other – quoted in an active market	–	–	–	–	53.1	37.2
Other – unquoted	3.8	61.0	–	–	–	–
	100.0	1,596.6	100.0	230.7	100.0	70.0

2016	Atkins Pension Plan		Railways Pension Scheme		ESPS	
	%	£m	%	£m	%	£m
Equities – quoted in an active market	–	–	69.7	145.8	–	–
Equities – unquoted	37.0	493.6	–	–	–	–
Government bonds – quoted in an active market	42.4	565.8	15.1	31.5	–	–
Government bonds – unquoted swaps and repos	0.7	9.9	–	–	–	–
Corporate bonds – quoted in an active market	–	–	14.9	31.1	–	–
Corporate bonds – unquoted	10.8	144.1	–	–	–	–
Property	3.3	44.5	–	–	–	–
Cash	0.5	6.2	0.3	0.6	–	–
Other – unquoted	5.3	71.1	–	–	–	–
	100.0	1,335.2	100.0	209.0	–	–

The assets of the schemes do not include any direct holdings of the Group's financial instruments, nor any property occupied by, or other assets of, the Group.

The levels of the fair value hierarchy and its application to the pension financial assets and liabilities are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

A definition of Level 1 and Level 2 financial instruments and how they are valued is included in note 20.

The above pension assets include Level 3 financial instruments. These include unquoted swaps and repurchase agreements (repos).

Unquoted swaps and repos: the fair value is based on discounted cash flow analysis using market curve data.

Movements in the present value of the defined benefit obligation are as follows:

	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
2017						
Defined benefit obligation at beginning of year	1,529.3	273.2	–	–	19.4	1,821.9
Business acquired	–	–	46.9	26.5	–	73.4
Service cost	0.1	1.8	0.3	–	0.1	2.3
Administrative expenses	–	0.2	–	–	–	0.2
Interest cost	52.7	9.4	1.6	0.9	0.4	65.0
Remeasurements loss/(gain) recognised in other comprehensive income	239.9	36.0	6.6	2.9	(1.9)	283.5
Employee contributions	–	1.4	–	–	–	1.4
Benefit payments	(61.9)	(8.4)	(1.1)	(1.8)	(1.0)	(74.2)
Difference on exchange	–	–	–	–	1.9	1.9
Defined benefit obligation at end of year	1,760.1	313.6	54.3	28.5	18.9	2,175.4

	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
2016						
Defined benefit obligation at beginning of year	1,531.0	276.2	–	–	20.0	1,827.2
Service cost	0.1	2.4	–	–	0.1	2.6
Administrative expenses	–	0.2	–	–	–	0.2
Curtailement gain	–	(1.5)	–	–	–	(1.5)
Interest cost	52.9	9.5	–	–	0.4	62.8
Remeasurements gain recognised in other comprehensive income	(8.5)	(7.6)	–	–	(1.8)	(17.9)
Employee contributions	–	1.5	–	–	–	1.5
Benefit payments	(46.2)	(7.5)	–	–	(0.4)	(54.1)
Difference on exchange	–	–	–	–	1.1	1.1
Defined benefit obligation at end of year	1,529.3	273.2	–	–	19.4	1,821.9

Notes to the Financial Statements continued

Movements in the fair value of plan assets are as follows:

2017	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Fair value of plan assets at beginning of year	1,335.2	209.0	–	–	12.4	1,556.6
Business acquired	–	–	58.9	26.5	–	85.4
Interest return on plan assets	46.5	7.3	2.0	0.9	0.3	57.0
Employer contributions	33.7	2.6	0.2	–	0.5	37.0
Employee contributions	–	1.4	–	–	–	1.4
Benefits paid	(61.9)	(8.4)	(1.1)	(1.8)	(1.0)	(74.2)
Remeasurements gain recognised in other comprehensive income	243.1	18.8	10.1	2.9	0.3	275.2
Difference on exchange	–	–	–	–	1.3	1.3
Fair value of plan assets at end of year	1,596.6	230.7	70.1	28.5	13.8	1,939.7

2016	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Fair value of plan assets at beginning of year	1,312.0	205.0	–	–	11.8	1,528.8
Interest return on plan assets	45.8	7.1	–	–	0.2	53.1
Employer contributions	32.9	2.9	–	–	0.5	36.3
Employee contributions	–	1.5	–	–	–	1.5
Benefits paid	(46.2)	(7.5)	–	–	(0.4)	(54.1)
Remeasurements loss recognised in other comprehensive income	(9.3)	–	–	–	(0.3)	(9.6)
Difference on exchange	–	–	–	–	0.6	0.6
Fair value of plan assets at end of year	1,335.2	209.0	–	–	12.4	1,556.6

Movements in the net retirement benefit liabilities are as follows:

2017	Note	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Net retirement benefit liabilities at beginning of year		(194.1)	(64.2)	–	–	(7.0)	(265.3)
Business acquired	10	–	–	12.0	–	–	12.0
Service cost		(0.1)	(1.8)	(0.3)	–	(0.1)	(2.3)
Administrative expenses		–	(0.2)	–	–	–	(0.2)
Net finance (costs)/income		(6.2)	(2.1)	0.4	–	(0.1)	(8.0)
Employer contributions		33.7	2.6	0.2	–	0.5	37.0
Remeasurements gain/(loss) recognised in other comprehensive income		3.2	(17.2)	3.5	–	2.2	(8.3)
Difference on exchange		–	–	–	–	(0.6)	(0.6)
Net retirement benefit liabilities at end of year		(163.5)	(82.9)	15.8	–	(5.1)	(235.7)

2016	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Net retirement benefit liabilities at beginning of year	(219.0)	(71.2)	–	–	(8.2)	(298.4)
Service cost	(0.1)	(2.4)	–	–	(0.1)	(2.6)
Administrative expenses	–	(0.2)	–	–	–	(0.2)
Net finance costs	(7.1)	(2.4)	–	–	(0.2)	(9.7)
Curtailement gain	–	1.5	–	–	–	1.5
Employer contributions	32.9	2.9	–	–	0.5	36.3
Remeasurements (loss)/gain recognised in other comprehensive income	(0.8)	7.6	–	–	1.5	8.3
Difference on exchange	–	–	–	–	(0.5)	(0.5)
Net retirement benefit liabilities at end of year	(194.1)	(64.2)	–	–	(7.0)	(265.3)

Cumulative remeasurement effects recognised in other comprehensive income are as follows:

2017	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Losses at the beginning of year	(236.8)	(37.5)	–	–	(14.4)	(288.7)
Net remeasurement gains/(losses) recognised in the year:	3.2	(17.2)	3.5	–	2.2	(8.3)
– (Loss)/gain from change in financial assumptions	(333.6)	(51.3)	(8.3)	(3.6)	0.9	(395.9)
– Gain from change in demographic assumptions	60.2	9.6	1.7	0.7	0.3	72.5
– Experience gains	33.5	5.7	–	–	0.7	39.9
Actuarial (loss)/gain on defined benefit obligation arising during the year	(239.9)	(36.0)	(6.6)	(2.9)	1.9	(283.5)
Return on plan assets greater than discount rate	243.1	18.8	10.1	2.9	0.3	275.2
(Losses)/gains at the end of year	(233.6)	(54.7)	3.5	–	(12.2)	(297.0)

2016	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
Losses at the beginning of year	(236.0)	(45.1)	–	–	(15.9)	(297.0)
Net remeasurement (losses)/gains recognised in the year:	(0.8)	7.6	–	–	1.5	8.3
– Gain from change in financial assumptions	8.5	4.7	–	–	1.8	15.0
– Experience gains	–	2.9	–	–	–	2.9
Actuarial gain on defined benefit obligation arising during the year	8.5	7.6	–	–	1.8	17.9
Return on plan assets less than discount rate	(9.3)	–	–	–	(0.3)	(9.6)
Losses at the end of year	(236.8)	(37.5)	–	–	(14.4)	(288.7)

Notes to the Financial Statements continued

The return on plan assets is as follows:

	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
2017						
Expected return on plan assets	46.5	7.3	2.0	0.9	0.3	57.0
Experience gain on plan assets	243.1	18.8	10.1	2.9	0.3	275.2
Actual return on plan assets	289.6	26.1	12.1	3.8	0.6	332.2

	Atkins Pension Plan £m	Railways Pension Scheme £m	ESPS £m	CNPP £m	Other £m	Total £m
2016						
Expected return on plan assets	45.8	7.1	–	–	0.2	53.1
Experience loss on plan assets	(9.3)	–	–	–	(0.3)	(9.6)
Actual return on plan assets	36.5	7.1	–	–	(0.1)	43.5

History of experience gains and losses:

	2017 Total	2016 Total	2015 Total	2014 Total	2013 Total
Experience gain/(loss) on scheme assets	£275.2m	£(9.6)m	£243.2m	£(20.1)m	£106.4m
Percentage of scheme assets	14.2%	(0.6)%	15.9%	(1.6)%	8.8%
Experience gain/(loss) on scheme liabilities	£39.9m	£2.9m	£0.2m	£6.2m	£(1.9)m
Percentage of defined benefit obligation	(1.8)%	(0.2)%	(0.0)%	(0.4)%	0.1%
Defined benefit obligation	£(2,175.4)m	£(1,821.9)m	£(1,827.2)m	£(1,560.5)m	£(1,491.2)m
Fair value of plan assets	£1,939.7m	£1,556.6m	£1,528.8m	£1,236.3m	£1,209.2m
Net retirement benefit liabilities	£(235.7)m	£(265.3)m	£(298.4)m	£(324.2)m	£(282.0)m

The Group completed its last triennial valuation of the APP as at 31 March 2016. The valuation of the APP showed a funding deficit of £318m. The Group agreed to continue into the previously agreed repayment plan from the 2013 triennial valuation that ends in March 2025. Under this repayment plan a payment of £34.5m will be made for the year ending 31 March 2018 and future payments will continue to escalate by 2.5% per annum.

The Atkins section of the RPS had a funding shortfall of £23m following the 2013 actuarial valuation. The schedule of contributions allows for additional percentages of pensionable salaries to be paid in order to eliminate this shortfall by 30 June 2030. The 2016 actuarial valuation is in progress and may result in a revised timetable and/or revised percentages of pensionable salaries. It is not expected that any revisions will be material.

Under the wording of the current IFRIC 14, the Group has an unconditional right of refund of any remaining surplus on a winding up of the APP once all the interests of the members have been satisfied in accordance with the scheme rules. The International Accounting Standards Board published its exposure draft of amendments to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which proposes additional clarity on the role of trustees' rights in an assessment of the recoverability of a surplus in an employee pension fund. If the exposure draft is issued in its current format and the sponsoring company was required to allow for a restriction on its assets in respect of a non-refundable surplus, the impact of this at 31 March 2017 based on the discount rate of 2.5%, would be an increase in the APP's net liability of around £140m.

The nature of the funding regime in the UK creates uncertainty around the size and timing of cash that the sponsoring company will be required to pay to the pension schemes.

The Group expects employer contributions to be paid during the financial year to 31 March 2018 to be around £37.6m, of which £34.5m is in relation to the funding of the APP actuarial deficit. £2.2m of this £37.6m is in relation to employer contributions for the RPS and the remainder of the balance relates to employer contributions for all the other defined benefit schemes of the Group. Employee contributions paid are expected to be around £1.2m. Expected benefit payments made directly by the Group to pensioners in the financial year to 31 March 2018 are £nil.

The approximate effect on the liabilities from changes in the main assumptions used to value the liabilities are as follows:

	Change in assumption	Effect on plan liabilities	
		Atkins Pension Plan	Railways Pension Scheme
Discount rate	increase/decrease 0.5%	decrease/increase 9.5%	decrease/increase 8.0%
Inflation	increase/decrease 0.5%	increase/decrease 4.5%	increase/decrease 8.0%
Real rate of increase in salaries	increase/decrease 0.5%	increase/decrease 0.0%	increase/decrease 1.0%
Longevity	increase 1 year	increase 4.0%	increase 3.0%

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

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

The effect of the change in inflation on liabilities assumes a corresponding change in salary increases and inflation-related pension increases.

b) Other post-employment benefit liabilities

The Group operates unfunded schemes within certain of its non-UK businesses, including gratuity schemes, Key Employee Supplemental Option Plans (KESOP) and post-retirement medical benefit schemes.

Members of the gratuity schemes are entitled to receive a cash gratuity on leaving the business which is dependent on their length of employment and final salary. Valuation of the gratuity obligation is carried out in line with the principles of IAS 19, *Employee benefits*.

The Group operates a KESOP providing some key officers and employees in its North American business (the business) with post-retirement benefits, known as the Supplemental Income Program (SIP). The SIP is an unfunded plan that provides participants with retirement income for a specified period of between 5 and 15 years upon retirement, death or disability. The plan fixes a minimum level for retirement benefits to be paid to participants based on the participant's position in the business, their age and length of service at retirement. Additionally, certain executive agreements have been amended to provide post-retirement medical benefits to those employees and their spouses, at a level substantially similar to those medical and hospitalisation benefits paid and provided to senior executives currently employed by the business. The insurance benefits will be provided without any further or additional services from the employee to the business and they will be paid for and provided for as long as the employee and their spouse shall live.

	Group	
	2017 £m	2016 £m
Other post-employment obligations at beginning of year	20.5	18.2
Current service cost and other comprehensive income	4.6	4.2
Interest cost	1.1	0.9
Benefit payments	(5.6)	(3.7)
Difference on exchange	2.8	0.9
Other post-employment obligations at end of year	23.4	20.5

Notes to the Financial Statements continued

The main assumptions used for the IAS 19 valuation of other post-employment benefits are listed in the table below:

	2017	2016
Gratuity scheme		
Discount rate	5.00%	5.00%
Salary inflation	3.00%	3.00%
Average remaining service period	2 years	2 years
KESOP scheme		
Discount rate	1.70%	1.55%
Medical plan		
Discount rate	3.65%	3.80%
Healthcare cost trend rate for next year	7.50%	8.00%
Rate of decline of cost trend rate	4.50%	5.00%
Year that rate reaches ultimate trend rate	2026	2026

c) Post-employment benefit liabilities – risks

Through its defined benefit pension plans and other post-employment benefit liabilities, the Group is exposed to a number of investment and actuarial risks, the most significant of which are detailed below:

Asset volatility

The retirement benefit plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. Both the UK and Irish plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while exposing the Group to greater volatility and valuation risk in the short term. The government bonds represent investments in UK Government securities only. The ESPS holds government bonds and cash which are expected to underperform corporate bonds in the long-term, but may create volatility and risk in the short-term.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK and Irish plans, where inflationary increases result in higher sensitivity to changes in life expectancy. The APP has had interest and inflation rate hedging in place for some time, but due to the relative immaturity of the longevity hedging market, to date the Group has held off implementing a longevity hedging programme. As a consequence, the APP remains fully exposed to any future improvements in mortality beyond those already assumed by the actuary.

Inflation risk

Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). While some of the APP's assets are real in nature and so loosely correlated with inflation (e.g. equities, index-linked gilts), some of the APP's assets are not expected to move in line with inflation (e.g. fixed-interest gilts). Therefore an increase in inflation is likely to also increase the deficit.

Within the APP, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The Trustee and Company has engaged in a significant investment risk management exercise over the past 18 months to restructure the APP's investment arrangements to better manage both the level and composition of investment risk in the APP. As such, the Trustee has developed a clear and documented mission and set of investment beliefs. As a result, there are articulated risk and return objectives, which are monitored and reviewed quarterly. There is an extensive interest rate and inflation hedging programme using a range of instruments and techniques (including gilts, swaps, repo and TRS) which essentially reduces volatility of the assets relative to the APP's liabilities. The APP has developed a diversified return-seeking portfolio to generate return from a range of different types of risks. Included in this return-seeking portfolio (particularly within the APP's equity holdings) is a range of derivative instruments which aims to reduce risk and/or improve portfolio efficiency. One of the Trustees' overriding aims is to target the risk and return objectives in as simple a way as is practical and at as low a cost as is possible. However, this doesn't act as a constraint to deliver risk adjusted investment return. A large portion of assets still consists of equities and bonds, although the APP also invests in property, cash and investment (hedge) funds. The majority of equities are in a globally diversified portfolio of international blue chip entities. A breakdown of the major categories of plan assets as a percentage of total plan assets for the three UK schemes is detailed above.

Expected maturity analysis of other post-employment benefit liabilities are as follows:

At 31 March 2017	Less than a year	Between 1–2 years	Between 2–5 years	Over 5 years	Total
KESOP (US\$m)	0.2	–	–	–	0.2
Post-retirement medical benefit schemes (US\$m)	0.1	0.1	0.3	0.4	0.9

An approximate analysis of the obligations for the two main defined benefit schemes is given in the table below:

	Atkins Pension Plan		Railways Pension Scheme	
	2017 %	2016 %	2017 %	2016 %
Proportion relating to active members	0.0	0.0	33.0	37.0
Proportion relating to deferred members	60.0	64.0	18.0	15.0
Proportion relating to pensioners	40.0	36.0	49.0	48.0
Total	100.0	100.0	100.0	100.0

The weighted average duration of the defined benefit obligation is 20 years (2016: 20 years) for the APP, 16 years (2016: 16 years) for the RPS, between 25 and 30 years (2016: between 25 and 30 years) for the McCarthy Pension Plan, between 25 and 35 years (2016: between 25 and 35 years) for the Terramar AS Pension Plan and 21 years for the ESPS.

Expected future benefit payments from the APP are mostly in respect of pension payments that are either linked to price inflation or receive fixed pension increases. These projected benefit payments are expected to be made from the APP over the next 80 or so years. The payments are expected to rise over the next 30 years, when they will peak, before beginning to decline.

The Group expects pension benefits to be paid by the schemes during the financial year to 31 March 2018 to be approximately £75.0m.

Notes to the Financial Statements continued

31 Other non-current liabilities

	Group					
	2017			2016		
	Contingent consideration £m	Deferred bid costs recovered £m	Total £m	Contingent consideration £m	Deferred bid costs recovered £m	Total £m
Deferred PPP/PFI bid costs recovered and contingent consideration, maturing:						
Later than one year and no later than two years	0.4	0.1	0.5	1.9	–	1.9
Later than two years and no later than five years	1.7	0.2	1.9	–	0.2	0.2
Later than five years	1.0	1.0	2.0	–	1.1	1.1
	3.1	1.3	4.4	1.9	1.3	3.2

32 Ordinary shares

	Group and Company			
	2017		2016	
	No. shares	£m	No. shares	£m
Issued, allotted and fully paid ordinary shares of 0.5p each				
At 1 April and at 31 March	104,451,799	0.5	104,451,799	0.5

At the 2016 AGM, shareholder authority was obtained for the Company to purchase up to a maximum of 10,011,000 of its own ordinary shares (representing approximately 10% of the issued share capital of the Company on 15 June 2016). Following the acquisition of the entire issued and to be issued share capital of WS Atkins Limited, formerly WS Atkins plc, by SNC-Lavalin (GB) Holdings Limited, an indirect subsidiary of SNC-Lavalin Group Inc. on 3 July 2017, approval for equivalent authority at this year's AGM is no longer required.

As at 31 March 2017, there were 4,341,000 ordinary shares of 0.5p each (nominal value £21,705) held as treasury shares. No shares were purchased during the year ended 31 March 2017 (2016: nil). The 4,341,000 treasury shares, which represent approximately 4.2% of the total (2016: 4.2%) of the called-up share capital as at the date of this report, have not been cancelled and represent a deduction from shareholders' equity.

33 Share-based payments**Long-Term Incentive Plans**

WS Atkins Limited, formerly WS Atkins plc, Long Term Incentive Plan (LTIP) August 2012 onwards

A share plan for senior executives used to grant awards that are settled in equity or, in limited circumstances, in cash. Subject to the Company's growth in diluted EPS over the performance period. Full vesting is triggered if the EPS growth in the three-year performance period is 12% per annum or higher. If the increase is less than 5% per annum, there will be no vesting. If the increase is 5% per annum, vesting will be at 25%, and a sliding scale operates between 5% and 12% per annum EPS growth.

For awards granted from August 2016 onwards, 75% of the LTIP awards will be assessed on the same EPS growth condition as used in previous years. The remaining 25% of the LTIP awards are subject to an operating cash flow conversion performance metric over the performance period. Full vesting for this part of the award is triggered if the average operating cash flow conversion, over the three-year performance period, is 98% or more. If the average conversion is less than 83%, there will be no vesting. If the average conversion is 83%, vesting will be at 25%, and a sliding scale operates between 83% and 98%.

As a general rule, awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves as a result of a qualifying reason, they receive a time pro rata entitlement.

Subject to vesting, participants are entitled to receive the benefit of dividends declared following grant, without interest.

Atkins Long Term Incentive Plan (LTIP) September 2006 to July 2011

A share plan for senior executives and key employees used to grant awards to employees that are settled in equity or, in limited circumstances, in cash. Different performance targets were used for different categories of management. Grants made to executive directors and senior employees had 50% of the grant subject to the Company's total shareholder return performance relative to the constituents of the FTSE 250 index (excluding investment trusts) at the start of the performance period. Full vesting of this portion of the grant took place if the Company was ranked in the upper quartile and 30% vesting was achieved with a median ranking, with pro rata vesting for intermediate performance. No vesting occurred for a ranking below median.

The remaining 50% of grants made to executive directors and senior employees was subject to the Company's real growth in underlying EPS over the performance period. Full vesting was triggered if the increase in real EPS growth above UK RPI in the three-year performance period was 10% per annum or higher. If the increase above UK RPI was less than 4% per annum, there was no vesting. If the EPS increase was 4% per annum above UK RPI, vesting was at 30%, and a sliding scale operated between 4% and 10% per annum.

Awards granted to other participants were subject solely to the EPS condition.

As a general rule, awards granted to participants who left employment prior to vesting were forfeited. In the event a participant left as a result of a qualifying reason, they received a time pro rata entitlement. All awards have now vested.

Subject to vesting, participants are entitled to receive the benefit of dividends declared following grant, without interest.

WS Atkins Limited, formerly WS Atkins plc, Long-term Growth Unit plan (LGU) August 2012 – June 2015

A share plan for senior executives where units are granted at a base price which is based on the six-month average share price calculated at the date of grant. The vesting of units occurs in three equal tranches on the fourth, fifth and sixth anniversaries of the date of grant. Vesting is subject to the Remuneration Committee's assessment of the Group's progress against its strategy.

On exercise, the value of each unit is equal to the increase, if any, in the average share price of one notional Company share between the grant date and the exercise date. Any such gain will normally be calculated using the six-month average share price. Any gain on exercise will usually be settled in equity, except in the US, where awards are granted as market value options and are scaled back on exercise to be equivalent in value to the gain that would have been received under a non-US award. No more than 50% of a participant's total number of units subject to a single grant may be exercised in any 12-month rolling period.

As a general rule, units granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves as a result of a qualifying reason, they receive a time pro rata entitlement.

Deferred Share Plans

Atkins Deferred Bonus Plan (DBP)

A share plan for senior executives and key employees used to grant awards to employees that are settled in equity or, in limited circumstances, in cash. There was no performance condition but awards were restricted for at least three years from the date of grant. As a general rule, awards granted to participants who left employment prior to vesting were forfeited. In the event a participant left as a result of a qualifying reason, they received their award in full. Subject to vesting, some awards entitle participants to receive the benefit of dividends declared following grant, without interest. All awards have now vested.

Atkins Deferred Share Plan (DSP)

A share plan for senior executives and key employees used to grant awards to employees that are settled in equity or in cash. There is no performance condition but awards are restricted for a set period from the date of grant, fixed by the Remuneration Committee at grant. As a general rule, awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves as a result of a qualifying reason, they will receive their award in full. Subject to vesting, participants are entitled to receive the benefit of dividends declared following grant without interest.

Notes to the Financial Statements continued

Awards granted to executive directors, which are granted in relation to the Executive Bonus Scheme, are normally restricted for three years from the date of grant.

The Group's share-based payments charge for the year of £11.4m (2016: £11.5m) has been included in administrative expenses in the Consolidated Income Statement.

The effect of the share-based payment transactions on the Group's results and financial position is as follows:

	Group	
	2017 £m	2016 £m
Total expense recognised for equity settled share-based payment transactions	9.3	9.4
Total expense recognised for cash settled share-based payment transactions	2.1	2.1
	11.4	11.5
Closing balance of liability for cash settled share-based payment transactions	3.1	3.6

As at 31 March 2017 the following awards were outstanding:

	LTIPs		LGU		DBP/DSP	
	No.	Weighted average exercise / transfer price	No.	Weighted average exercise / transfer price	No.	Weighted average exercise / transfer price
Awards outstanding at 1 April 2015	604,884	–	451,420	291.76p	3,380,704	–
Granted	149,211	–	131,030	440.19p	704,339	–
Exercised/transferred	(171,792)	–	–	–	(1,054,160)	–
Lapsed	(72,456)	–	–	–	(2,300)	–
Forfeited	(49,173)	–	(73,013)	878.81p	(160,344)	–
Awards outstanding at 1 April 2016	460,674	–	509,437	245.80p	2,868,239	–
Granted	310,249	–	–	–	698,530	–
Exercised/transferred	(76,950)	–	(31,917)	64.55p	(776,727)	–
Lapsed	(79,249)	–	(5,613)	878.81p	(1,149)	–
Forfeited	(18,361)	–	(12,952)	–	(96,582)	–
Awards outstanding at 31 March 2017	596,363	–	458,955	260.19p	2,692,311	–

The weighted average exercise price of LGU awards is calculated by reference to both non-US awards, where the increase in value is delivered in the form of a nil-cost option, and US awards, where the awards take the form of market value options.

The weighted average share price at the date of exercise was 1,400.09p (2016: 1,500.47p).

A summary of awards outstanding as at 31 March 2017 is as follows:

Scheme	Award date	Exercise/ transfer price	Scheme maturity	Maximum term	Weighted average remaining contractual life	Awards outstanding at 31 March 2017	Awards exercisable at 31 March 2017
LTIPs							
LTIP (August 2012 onwards)	24/06/2013 to 21/11/2016	0.0p	2.6 to 3 years	2.6 to 10 years	7.13 years	586,435	10,476
LTIP (September 2006 to July 2012 EPS)	03/08/2007	0.0p	3 years	3 to 10 years	0.34 years	9,928	9,928
LGUs							
LGU (August 2012 – June 2015 non-US)	13/08/2012 to 25/06/2015	0.0p	4 to 6 years	10 years	6.85 years	345,937	9,183
LGU (August 2012 – June 2015 US)	13/08/2012 to 25/06/2015	667.0p to 1545.0p	4 to 6 years	10 years	6.64 years	113,018	5,904
DSPs							
DBP	03/08/2007 to 30/11/2007	0.0p	3 years	10 years	0.57 years	2,352	2,352
DSP	29/06/2007 to 21/11/2016	0.0p	1 to 3 years	1 to 10 years	5.60 years	2,689,959	668,324

On 30 June 2016, the Company issued awards over 613,730 shares to employees under the DSP.

On 16 August 2016, the Company issued awards over 280,011 shares to employees under the LTIP.

On 21 November 2016 the Company issued awards over 84,800 shares to employees under the DSP and 30,238 shares to employees under the LTIP.

At 31 March 2017 the Company's EBTs held a beneficial interest in 2,719,381 shares (2016: 2,819,765 shares) at a nominal value of £0.0m (2016: £0.0m) and market value of £41.9m (2016: £38.6m).

The weighted average fair value of awards granted during the year was 1394.80p (2016: 1428.72p).

The total fair value of awards granted during the year was £14.1m (2016: £14.1m).

Fair value of awards with market performance conditions

WS Atkins Limited, formerly WS Atkins plc, Long Term Growth Unit plan August 2012 – June 2015

The Black Scholes Model was used for the purposes of valuing LGU awards granted. The model calculated the fair value of awards granted, upon which the share-based payments charge is based. The expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term of the award. No LGU awards were granted in the financial year ended 31 March 2017 but the assumptions used in the model for the LGU awards granted in the financial year end 31 March 2016 are as follows:

	LGU 2016		
Exercise price (six-month average) at grant date	1359.59p	1359.59p	1359.59p
Risk-free interest rate	1.304%	1.540%	1.652%
Volatility of share price	34.0%	34.0%	34.0%
Share price at grant	1557.00p	1557.00p	1557.00p
Base value (six-month average) share price at grant date	1359.59p	1359.59p	1359.59p
Expected term (from grant date)	4 years	5 years	6 years

Notes to the Financial Statements continued

34 Cash generated from/(used in) continuing operations

	Note	Group		Company	
		2017 £m	2016 £m	2017 £m	2016 £m
Operating profit/(loss) for the year		154.1	143.4	(5.9)	(0.2)
Other non-cash costs		–	0.1	–	–
Depreciation charges	17	19.7	18.2	–	–
Impairment of acquired intangibles	16	4.8	–	5.4	–
Impairment of goodwill	15	21.4	–	–	–
Deferred acquisition payments		3.7	3.2	–	–
Amortisation of intangible assets	16	32.7	11.9	–	–
Share-based payment charge	33	9.3	9.4	–	–
Pension curtailment gain	30	–	(1.5)	–	–
Profit on sale of property, plant and equipment		(1.4)	(6.7)	–	–
Profit on sale of minority PFI Investment in the UK's M25 motorway		(45.6)	–	–	–
Foreign exchange gains		(7.2)	–	–	–
Movement in provisions	29	0.3	0.5	–	–
Movement in trade and other receivables	24	(42.8)	(16.7)	1.5	(3.9)
Movement in payables	28	(15.0)	(13.0)	0.4	(0.4)
Movement in non-current payables		–	0.1	–	(6.0)
Pension deficit funding	30	(33.6)	(32.8)	–	–
Cash generated from/(used in) continuing operations		100.4	116.1	1.4	(10.5)

35 Analysis of net funds

	1 April 2016 £m	Cash flow £m	Other non-cash changes £m	Exchange movement £m	At 31 March 2017 £m
Cash and cash equivalents	419.3	(210.2)	–	15.4	224.5
Loan notes receivable	20.1	(19.7)	0.4	0.1	0.9
Financial assets at fair value through profit or loss	32.9	(2.3)	0.6	0.4	31.6
Borrowings due no later than one year	(7.0)	–	7.0	–	–
Borrowings due later than one year	(273.5)	55.4	(7.2)	(37.7)	(263.0)
Finance leases	(0.1)	–	–	–	(0.1)
Net funds	191.7	(176.8)	0.8	(21.8)	(6.1)

Included within loan notes receivable is £0.5m (2016: £0.4m) relating to amounts from joint venture entities receivable within less than 12 months.

36 Contingent liabilities

The Group has given indemnities in respect of performance and contractual related bonds, as well as letters of credit issued on its behalf. The amount outstanding at 31 March 2017 includes £0.2m letters of credit issued as a result of the acquisition on 1 October 2010 of PBSJ (2016: £0.2m).

Group companies are from time to time involved in claims and litigation. The Group carries significant professional indemnity insurance cover for such claims.

At 31 March 2017, there were various letters of credit in issue to secure the Group's reinsurance obligations, with a combined value of £8.4m (2016: £2.3m).

37 Operating lease arrangements

The Group leases various offices under operating lease arrangements. The leases have various terms, escalation clauses and renewal rights. The Group also leases vehicles, plant and equipment under operating lease arrangements.

At the end of the reporting period, the future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

Group	2017		2016	
	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m
No later than one year	45.5	6.4	42.2	6.7
Later than one year and no later than five years	89.2	8.7	82.0	8.3
Later than five years	84.9	0.3	70.7	0.3
	219.6	15.4	194.9	15.3

The Company had no operating lease commitments as at 31 March 2017 (2016: none).

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are receivable as follows:

Group	2017 Property £m	2016 Property £m
No later than one year	3.1	2.7
Later than one year and no later than five years	4.5	3.1
Later than five years	0.8	–
	8.4	5.8

The Company had no operating lease receivables as at 31 March 2017 (2016: none).

38 Capital and other financial commitments

	Group	
	2017 £m	2016 £m
Capital expenditure contracted for but not incurred—property, plant and equipment	6.5	3.8

39 Related party transactions

Details of the directors' shareholdings, share options and remuneration are given in the Remuneration report (page 80), which forms part of these Financial Statements.

Transactions with the retirement benefit schemes are shown in note 30.

Details of the Company's subsidiaries and joint ventures are shown in note 41.

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 and £nil charged to income and expense (2016: £nil).

a) Group sales and purchases of goods and services

	Group	
	2017 £m	2016 £m
Sales of goods and services to joint ventures	46.5	42.5
Purchases of goods and services from joint ventures	–	–

Notes to the Financial Statements continued

b) Group year end balances arising from sales/purchases of goods and services to/from joint ventures and loans provided to joint ventures

	Note	Group	
		2017 £m	2016 £m
Receivables from joint ventures	24	10.6	1.7

Receivables from joint ventures are shown net of contract-related provisions of £nil (2016: £nil).

Payables to joint ventures		–	–
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c) Group year end balances arising from loans provided to other related parties

	Note	Group	
		2017 £m	2016 £m
Receivables from related parties	23	–	19.7

d) Company sales/purchases of goods and services to/from subsidiaries

The Company did not sell any goods or services to subsidiaries during the year (2016: £nil). The Company did not purchase any goods or services from its subsidiaries during the year (2016: £nil).

e) Company year end balances with subsidiaries

	Note	Group	
		2017 £m	2016 £m
Receivables from subsidiaries	24	371.3	339.2
Payables to subsidiaries	28	21.2	51.9

Receivables from subsidiaries are shown net of impairment of £0.5m (2016: £0.5m).

f) Key management compensation

Key management comprises the executive and non-executive directors, and certain senior managers who are members of the senior leadership team (SLT).

	Group	
	2017 £m	2016 £m
Short-term employee benefits	7.3	6.3
Post-employment benefits	0.1	0.1
Share-based payments	2.4	1.5
	9.8	7.9

The deferred share award element of any bonus paid to key management is not included in the salaries and other short-term employment benefits number as it is included in the share-based payment charge in subsequent years.

40 Events occurring after the reporting period**Recommended offer for the Company by SNC-Lavalin**

On 20 April 2017, the boards of SNC-Lavalin and WS Atkins Limited, formerly WS Atkins plc, announced that they had agreed the terms of a recommended all cash offer of the entire issued and to be issued share capital of Atkins by SNC-Lavalin at a price of 2,080p per Atkins share.

The Court meeting and general meeting (where a special resolution relating to the offer was voted on) were held on 26 June 2017 and the recommended offer was approved.

On 03 July 2017, SNC-Lavalin (GB) Holdings Limited, an indirect subsidiary of SNC-Lavalin Group Inc. acquired the entire issued and to be issued share capital of WS Atkins Limited, formerly WS Atkins plc.

41 Details of related undertakings of WS Atkins Limited, formerly WS Atkins plc

a) Subsidiary undertakings

The following companies were subsidiary undertakings as at 31 March 2017:

Name	Share class(es) held	% of share class/ interests held	Registered office/ principal place of business
A.C.N. 098 304 440 Pty Ltd ¹	AUD1.00 ordinary	100%	(1)
Anthony Acquisition Corp. ¹	US\$ Series A (common stock)	100%	(2)
Aquarius International Consultants Pty Ltd ¹	AUD1.00 class B shares	100%	(1)
	AUD1.00 class C shares	100%	
	AUD1.00 ordinary	100%	
ATK Energy EU Limited ¹	£0.00000004 ordinary share	100%	(3)
ATK Energy EU Services Limited ¹	£1.00 ordinary share	100%	(3)
Atkins (Trinidad) Limited ¹	TTD ordinary shares with no par value	100%	(4)
Atkins (US) ¹	US\$1.00 ordinary-B	100%	(3)
Atkins Aberdeen Limited ¹	£1.00 ordinary-A share	100%	(5)
	£1.00 ordinary-B share	100%	
Atkins ATK Investments Limited ^{2,7}	£1.00 ordinary share	100%	(3)
Atkins ATK Limited ¹	£1.00 ordinary share	100%	(3)
Atkins Australasia Pty Ltd ¹	AUD1.00 B class ordinary shares	100%	(1)
	AUD1.00 C class ordinary shares	100%	
	AUD1.00 class D shares	100%	
	AUD1.00 ordinary	100%	
Atkins Bennett (Holdings) Limited ¹	£0.01 ordinary share	100%	(3)
Atkins Bennett Limited ¹	£1.00 ordinary share	100%	(3)
Atkins Boreas Consultants Limited ¹	£1.00 ordinary-A share	100%	(5)
	£1.00 ordinary-B share	100%	
Atkins Brazil Holdings LLC ¹	n/a – membership interest	100%	(2)
Atkins B.V. ¹	€100.00 share	100%	(6)
Atkins China Limited ^{2,3}	HKD1.00 ordinary share	100%	(7)
Atkins Consultancy Services Limited ¹	£1 ordinary share	100%	(3)
Atkins Consultants (Shenzhen) Co., Ltd. ^{1,2}	US\$1.00 ordinary share	100%	(8)
Atkins Consultants Limited ¹	£1.00 ordinary share	100%	(3)
Atkins Consulting Canada Limited ¹	Common share without nominal or par value	100%	(9)
Atkins Danmark A/S ^{1,2}	DKK1,000.00 shares	100%	(10)
Atkins Design Engineering Consultants Pte. Ltd ¹	SGD1.00 ordinary share	100%	(11)
Atkins Energy Canada Group Limited ¹	Common share without nominal or par value	100%	(12)
Atkins Energy Federal EPC, Inc. ^{1,2}	US\$0.01 common	100%	(13)
Atkins Energy Germany GmbH ¹	€1.00 share	100%	(14)
Atkins Energy Government Group, Inc. ^{1,2}	US\$1.00 common	100%	(15)
Atkins Energy Holdings Corporation ¹	US\$0.01 common	100%	(15)
Atkins Energy Oak Ridge, LLC ¹	n/a – membership interest	100%	(15)
Atkins Energy, Inc. ¹	US\$0.10 common	100%	(2)
Atkins International Holdings Limited ^{2,8}	£1.00 ordinary share	100%	(3)
Atkins Investments Limited ¹	£1.00 ordinary share	100%	(3)
Atkins Investments UK Limited ^{2,9}	£1.00 ordinary share	100%	(3)
Atkins Limited ^{1,2}	£1.00 ordinary share	100%	(3)
Atkins Luxembourg S.à r.l. ^{1,2}	€1.00 ordinary share	100%	(16)

Notes to the Financial Statements continued

Name	Share class(es) held	% of share class/ interests held	Registered office/ principal place of business
Atkins Michigan, Inc. ¹	US\$0.01 common stock	100%	(2)
Atkins MSL Engineering Limited ¹	£1.00 ordinary share	100%	(3)
Atkins Norge AS ¹	NOK50 shares	100%	(17)
Atkins North America, Inc. ¹	US\$5.00 common stock	100%	(2)
Atkins Nuclear Performance Strategies, Inc. ¹	US\$0.01 common stock	100%	(18)
Atkins Nuclear Secured Holdings Corporation ¹	US\$0.01 common stock	100%	(2)
Atkins Nuclear Secured, LLC ^{1,2}	n/a - membership interest	100%	(18)
Atkins Nuclear Solutions US, Inc. ^{1,2}	US\$ common stock with no par value	100%	(19)
Atkins Pension Trustee Limited ¹	£1.00 ordinary share	100%	(3)
Atkins Rail Limited	£1.00 ordinary share	100%	(3)
Atkins Sverige AB ^{1,2}	SEK100.00 ordinary	100%	(20)
Atkins ULC ¹	US\$1.00 ordinary	100%	(3)
Atkins US Holdings, Inc. ^{1,2}	US\$1.00 common stock	100%	(2)
BNG America, LLC ¹	US\$1.00 unit	100%	(15)
Broomco (985) Limited ¹	£0.1 ordinary share	100%	(3)
Carnelian Limited ¹	£1.00 ordinary share	100%	(3)
Confab Limited	£1.00 ordinary share	100%	(3)
Confluence Project Management Private Limited ¹	INR10.00 equity shares	100%	(21)
Faithful and Gould Limited ¹	HKD1.00 ordinary shares	100%	(7)
Faithful and Gould Project Management Limited ¹	HKD1.00 ordinary shares	100%	(7)
Faithful e Gould Consultores em Projetos de Design Ltda. ¹	BRL1.00 ordinary	100%	(22)
Faithful+Gould (Holdings) Limited ¹	£1.00 ordinary share	100%	(3)
Faithful+Gould (Malaysia) SDN BHD ¹	RM1.00 ordinary share	100%	(23)
Faithful+Gould Asia Pacific Pte. Ltd ¹	SGD1.00 ordinary	100%	(11)
Faithful+Gould Limited ^{1,2}	£1.00 ordinary share	100%	(3)
Faithful+Gould Mexico S.A. de C.V. ¹	MXN ordinary-A	100%	(24)
Faithful+Gould Nigeria Limited ¹	NGN1.00 ordinary shares	100%	(25)
Faithful+Gould Project Management Pte. Ltd ¹	SGD1.00 ordinary share	100%	(11)
Faithful+Gould Pte. Limited ¹	SGD1.00 share	100%	(11)
Faithful+Gould Saudi Arabia Limited ^{1,2}	SAR1,000 ordinary share	51%	(26)
Faithful+Gould, Inc. ^{1,2}	US\$0.01 common stock	100%	(2)
Hanscomb (Russia) Limited ¹	£1.00 ordinary share	100%	(3)
Hanscomb (UK) Limited ¹	£1.00 ordinary share	100%	(3)
Hanscomb Europe Limited ¹	£1.00 ordinary share	100%	(3)
Hanscomb, Inc ¹	US\$0.01 ordinary	100%	(2)
Houston Offshore Engineering, LLC ¹	US\$1.00 share	100%	(27)
Howard Humphreys (East Africa) Limited ¹	SHS.10.00 ordinary shares	100%	(28)
Howard Humphreys (Tanzania) Limited ¹	SHS.20.00 shares	100%	(29)
Isotek Systems, LLC ^{1,2}	Unit	100%	(18)
Isotopen Umweltdienste GmbH ¹	€25,000 share	100%	(30)
Kins Developments Limited ⁴	£1.00 ordinary share	100%	(3)
Kins Holdings Limited	£0.25 ordinary share	100%	(3)
London Group Projects Limited ¹	£1.00 ordinary share	100%	(3)
Network Train Engineering Services Limited ¹	£1.00 ordinary share	100%	(3)
Opal Engineering Limited ¹	£1.00 ordinary share	100%	(3)
P & T Global Solutions, LLC ¹	US\$1.00 shares	100%	(15)

Name	Share class(es) held	% of share class/ interests held	Registered office/ principal place of business
Parfab Limited	£1.00 ordinary share	100%	(3)
PBS&J Constructors, Inc. ¹	US\$0.01 common stock	100%	(2)
PBS&J International, Inc. ¹	US\$0.01 common stock	100%	(2)
PRBC, Inc. ¹	US\$0.10 common share	100%	(2)
The Atkins North America Holdings Corporation ^{1,2}	US\$ common with no par value	100%	(2)
Ventron Technology Limited ¹	£1.00 ordinary share	100%	(3)
WS Atkins & Partners Overseas ^{1,2}	£1.00 ordinary share	100%	(31)
WS Atkins & Partners Overseas Engineering Consultants ^{1,2}	SAR100.00 indivisible shares	70%	(32)
WS Atkins (India) Private Limited ^{1,2}	INR100.00 equity shares	100%	(33)
WS Atkins (Malaysia) SDN. BHD ¹	RM1.00 ordinary share	100%	(23)
WS Atkins (No. 3 Trustees) Limited ⁵	£1.00 ordinary share	100%	(3)
WS Atkins (Trustees) Limited ⁶	£1.00 ordinary share	100%	(3)
WS Atkins (UK Holdings) Limited	£1.00 ordinary share	100%	(3)
WS Atkins Architects Limited	£1.00 ordinary share	100%	(3)
WS Atkins Cedac Limited ¹	£1.00 ordinary share	100%	(3)
WS Atkins Insurance (Guernsey) Limited ^{1,2}	£1.00 ordinary share	100%	(34)
WS Atkins International & Co. LLC ^{1,2}	OMR1.00 shares	65%	(35)
WS Atkins International B.V.	€453.78 shares	100%	(6)
WS Atkins International Limited ^{1,2}	£1.00 ordinary shares	100%	(3)
WS Atkins Ireland (Holdings) Limited	€1.25 ordinary shares	100%	(36)
	€1.25 redeemable preference shares		
WS Atkins Ireland Limited ¹	€1.27 ordinary shares	100%	(36)
WS Atkins Overseas Limited ¹	£1.00 ordinary share	100%	(31)
WS Atkins Powertrack Limited ¹	£1.00 ordinary share	100%	(3)
WS Atkins Property Services Limited ¹	£1.00 ordinary share	100%	(3)
WS Atkins Quest Trustee Limited	£1.00 ordinary share	100%	(3)
WS Atkins, Inc. ^{1,2}	US\$1.00 common stock	100%	(2)

1. Owned by a subsidiary undertaking other than WS Atkins Limited, formerly WS Atkins plc.

2. Principal subsidiary.

3. WS Atkins Limited, formerly WS Atkins plc, owns 99.999% of Atkins China Limited directly and 0.001% jointly with Atkins Limited.

4. WS Atkins Limited, formerly WS Atkins plc, owns 50.098% of Kins Developments Limited directly and 49.902% jointly with Atkins Limited.

5. WS Atkins Limited, formerly WS Atkins plc, owns 50% of WS Atkins (No. 3 Trustees) Limited directly and 50% jointly with Atkins Limited.

6. WS Atkins Limited, formerly WS Atkins plc, owns 99% of WS Atkins (Trustees) Limited directly and 1% jointly with Atkins Limited.

7. Formerly Atkins Investments UK Limited (until 11 April 2017).

8. Formerly Atkins Gamma Limited (until 11 April 2017).

9. Formerly Atkins Beta Limited (until 11 April 2017).

Notes to the Financial Statements continued

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

All the subsidiary undertakings noted above are included in the consolidation.

All the subsidiary undertakings noted above operate in the country of registration, except for WS Atkins & Partners Overseas and WS Atkins Overseas Limited, which operate in the Middle East.

Key to registered office/principal place of business

- (1) Level 13, 140 St Georges Terrace, Perth WA 6000, Australia
- (2) 4030 West Boy Scout Boulevard, Suite 700, Tampa FL 33607, United States
- (3) Woodcote Grove, Ashley Road, Epsom, Surrey, KT18 5BW, England & Wales
- (4) 23 Taylor Street, Woodbrook, Port of Spain, Trinidad and Tobago
- (5) Kirkgate House, St. Nicholas Centre, Aberdeen, AB10 1HW, Scotland
- (6) Parellaan 14, 2132WS, Hoofddorp, Netherlands
- (7) 13/F Wharf T&T Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong
- (8) Unit 09-16, 3501-02, 35/F, Shun Hing Square, Di Wang Commercial Center, 5002 Shen Nan Dong Road, Shenzhen, China
- (9) 300 – 1801 Hollis Street, Halifax NS B3J 3N4, Canada
- (10) Arne Jacobsens Alle 17, 2300 Kobenhavn S., Denmark
- (11) 8 Cross Street, #24-01, PwC Building, Singapore, 048424, Singapore
- (12) First Canadian Place, 100 King Street West, Suit 5600, Toronto, Ontario M5X 1C9
- (13) 2345 Stevens Drive, Suite 240, Richland, WA 99354, United States
- (14) c/o Gowling WLG (UK) LLP, Stresemannstrasse 79, 70191, Stuttgart, Germany
- (15) 100 Center Point Circle, Suite 100, Columbia, SC 29209, United States
- (16) 99 Grand Rue, L-1661 Luxembourg, Grand Duchy of Luxembourg, Luxembourg
- (17) 5. etasje, Vollsevien 13C, 1366 Lysaker, 0219 BÆRUM, Norway
- (18) 545 Oak Ridge Turnpike, Oak Ridge, TN 37830-7187, United States
- (19) 7400 Carmel Executive Park Dr., STE 120 Charlotte NC 28266-8503, United States
- (20) Lilla Nygatan, 7, 211 38, Malmo, Sweden
- (21) G-3 TV Industrial Estate, 248/A S K Ahire, Marg, Worli, Mumbai, Maharashtra, 400030, India
- (22) Praia de Botafogo, No. 228, Sala 1620, Rio de Janeiro, 22250-145, Brazil
- (23) Unit 1-17-1 Menara Bangkok Bank@Berjaya Central Park, No 105 Jalan Ampang, 50450 Kuala Lumpur, Malaysia
- (24) LLA Group, Homero No. 906, Colonia Polanca Reforma, C.P. 11550, Mexico D.F.
- (25) Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
- (26) PO Box 56684, Riyadh 11584, Saudi Arabia
- (27) 17220 Katy Freeway, Suite 200, Houston 200, TX 77074, United States
- (28) Post Office Box Number 30156-00100, Muthangari Drive off Waiyaki Way, Nairobi, Kenya
- (29) Plot No 1120, Chloe Road, Msasani Peninsula, Masaki, P.O. Box 2555, Dar Es Salaam, United Republic of Tanzania
- (30) Messeallee 2, c/o Kummerlein Rechtsanwalte, Notare Christian Lohr, 41531 Essen, Germany
- (31) Suite B, Ground Floor, Regal House, Queensway, Gibraltar
- (32) Al-Faisaliah Tower, South Link Building Unit, 2nd Floor, PO Box 301702, Riyadh, 11372, Saudi Arabia
- (33) 10th Floor, Safina Towers, No. 3, Ali Asker Road, Bangalore, Karnataka-KA, 560052, India
- (34) Heritage Hall, PO Box 230, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey
- (35) 2nd Floor, Hatat House Complex B, Wadi Adai, Muscat, PO BOX 2985, Oman
- (36) Atkins House, Units 150–155 Airside Business Park, Swords, co Dublin, Ireland

b) Significant holdings

The following companies were the significant holdings as at 31 March 2017:

Name	Share class(es) held	% of share class/ interests held	Registered office/ principal place of business
Confluence Project Management LLC ¹	AED 1,000 ordinary share	49.00%	(1)
Faithful&Gould Qatar LLC ¹	QAR1,000 share	49.00%	(2)
Partnering Plus Limited ¹	£1.00 B ordinary share	33.33%	(3)
TRANS4M Limited ¹	£1.00 ordinary share	25.00%	(4)
UK Nuclear Restoration Limited ¹	£1.00 ordinary share	30.00%	(5)
WS Atkins International and Hussain Tawfiq Al-Modeer Engineering Consultancy ¹	SAR10.00 indivisible non-tradeable equal cash interests	50.00%	(6)

1. Owned by a subsidiary undertaking other than WS Atkins Limited, formerly WS Atkins plc.

Key to registered office/principal place of business

(1) Office No: 21, 19th Floor, Al Gaith Tower, Hamdan Street, P.O. Box 33538, Abu Dhabi, United Arab Emirates

(2) PO Box 23443, Qatar

(3) Northshore, North Shore Road, Stockton-On-Tees, Cleveland, TS18 2NB, England & Wales

(4) The Shard, 32 London Bridge Street, London, SE1 9SG, England & Wales

(5) Booths Park, Chelford Road, Knutsford, Cheshire, WA16 8QZ, England & Wales

(6) P.O. Box 3791, Al-Khobar 3192, Saudi Arabia

c) Joint ventures

The following entities are considered to be joint ventures based on the agreements in place between Atkins and the other parties as at 31 March 2017:

Name	Proportion of ownership/interest	Financial year end	Registered office
AMA Nuclear Limited ¹ (in liquidation)	33.3%	31 December	(1)
Canadian National Energy Alliance Ltd. ¹	26.0%	31 March	(2)
CB&I Atkins Southwest Environmental LLC ¹	45.0%	31 December	(3)
Connect Plus Services (unincorporated) ¹	32.5%	30 September	N/A
DG21 LLC ¹	20.0%	31 December	(4)
EDP JV (unincorporated) ¹	40.0%	31 March	N/A
Engage S.N.C. ¹	25.0%	31 December	(5)
GET-NSA, LLC ¹	49.0%	31 December	(6)
Global Threat Reductions Solutions, LLC ¹	49.0%	31 December	(7)
Idaho Treatment Group, LLC (in close out) ¹	15.0%	31 December	(8)
LATA/Parallax, Portsmouth LLC ¹	49.0%	31 December	(9)
Mid-America Conversion Services, LLC ¹	42.0%	31 December	(10)
Nuclear Atkins Assystem Alliance SNC ¹	50.0%	31 December	(5)
Pennsylvania Remediation Company LLC ¹	35.0%	31 December	(11)
Savannah River Technology & Remediation, LLC ¹	20.0%	31 December	(12)
TPMC-EnergySolutions Environmental Services 2008, LLC ¹	49.0%	31 December	(7)
TPMC-EnergySolutions Environmental Services 2010, LLC ¹	49.0%	31 December	(7)
TPMC-EnergySolutions Environmental Services, LLC ¹	49.0%	31 December	(7)
Uranium Disposition Services, LLC ¹	26.0%	31 December	(13)
Vitritek Environmental, Inc.	50.0%	31 December	(14)
Washington River Protection Solutions, LLC ¹	40.0%	31 December	(15)
West Valley Environmental Services, LLC	10.0%	31 December	(16)

1. Owned by a subsidiary undertaking other than WS Atkins Limited, formerly WS Atkins plc.

Notes to the Financial Statements continued

Key to registered office/principal place of business

- (1) 8 Princes Parade, Liverpool, L3 1QH, England & Wales
- (2) 9191 South Jamaica Street, Engelwood, CO 80112, United States
- (3) The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, United States
- (4) 14900 Landmark Boulevard, Suite 400, Dallas TX 75254, United States
- (5) 70 Boulevard de Courcelles, 75017 Paris, France
- (6) 545 Oak Ridge Turnpike, Suite 218, Oak Ridge, TN 37830 United States
- (7) 222 Valley Creek Blvd., Suite 210, Exton, PA 19341, United States
- (8) 2016 Mt. Athos Road, Lynchburg, VA 24504, United States
- (9) 2424 Louisiana Blvd NE, STE 400, Albuquerque, NM 87110, United States
- (10) 3735 Palomar Centre Drive #109, Lexington, KY 40513, United States
- (11) 1725 Duke Street, Suite 400, Alexandria, VA 22314, United States
- (12) 106 Newberry Street S.W., Aiken, South Carolina 29801, United States
- (13) 1020 Monarch St., STE 100, Lexington, KY 40513-1890, United States
- (14) 100 Centre Point Circle, Suite 100, Columbia, SC 29209, United States
- (15) 2425 Stevens Center Place, Richland, WA 99352, United States
- (16) 4 Centre Dr., Orchard Park, New York NY 14127, United States

d) Joint operations

The Group also carries out contracts in joint arrangement with other contractors as our clients seek a single point of responsibility for major projects. The following are the principal joint operations in which the Group participated during the year:

Name	Proportion of ownership/interest	Principal place of business
Staffordshire Alliance	33.3%	UK
East West Rail Phase 2 Alliance	33.3%	UK
Atkins – TYP SA	50.0%	KSA

SCHEDULE B
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF
SNC-LAVALIN GROUP INC.

**As at March 31, 2017 and for the year ended December 31, 2016 and
for the three-month period ended March 31, 2017**

SNC-LAVALIN GROUP INC.
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2017
(Unaudited)

(in thousands of Canadian dollars)

	SNC-Lavalin as at March 31, 2017	Atkins as at March 31, 2017 (note 3)	Pro forma adjustments	Note	Pro forma consolidated
	\$	\$	\$		\$
ASSETS					
Current assets					
Cash and cash equivalents	810,533	374,060	(54,027)	4(c)	1,130,566
Restricted cash	51,568	-	-		51,568
Trade receivables	874,332	522,002	-		1,396,334
Contracts in progress	1,423,676	337,297	11,899	4(a)(i)	1,772,872
Inventories	133,493	-	-		133,493
Other current financial assets	435,023	17,922	-		452,945
Other current non-financial assets	305,674	167,821	-		473,495
Assets held for sale	5,832	-	-		5,832
Total current assets	4,040,131	1,419,102	(42,128)		5,417,105
Property and equipment	310,440	92,255	-		402,695
Capital investments accounted for by the equity method	408,350	-	-		408,350
Capital investments accounted for by the cost method	50,618	-	-		50,618
Goodwill	3,247,080	634,414	2,479,017	4(a)(i)	6,360,511
Intangible assets related to Kentz acquisition	177,155	-	-		177,155
Intangible assets related to Atkins acquisition	-	-	723,391	4(a)(i)	723,391
Other intangible assets	-	311,198	(303,915)	4(a)(i)	7,283
Deferred income tax assets	416,435	97,503	27,102	4(e)	541,040
Non-current portion of receivables under service concession arrangements	378,969	-	-		378,969
Other non-current financial assets	47,388	18,600	-		65,988
Other non-current non-financial assets	63,008	47,746	-		110,754
Total assets	9,139,574	2,620,818	2,883,467		14,643,859

SNC-LAVALIN GROUP INC.
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at March 31, 2017
(Unaudited)

(in thousands of Canadian dollars)

	SNC-Lavalin as at March 31, 2017	Atkins as at March 31, 2017 (note 3)	Pro forma adjustments	Note	Pro forma consolidated
	\$	\$	\$		\$
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	1,934,765	165,489	-		2,100,254
Downpayments on contracts	279,750	259,394	-		539,144
Deferred revenues	795,938	201,004	-		996,942
Other current financial liabilities	286,039	2,673	-		288,712
Other current non-financial liabilities	288,441	337,748	-		626,189
Current portion of provisions	208,295	2,242	-		210,537
Short-term debt and current portion of long-term debt:					
Non-recourse from Capital investments	22,030	-	-		22,030
Other non-recourse borrowings	-	167	-		167
Total current liabilities	3,815,258	968,717	-		4,783,975
Long-term debt:					
Recourse	349,428	-	833,791	4(d)	1,183,219
Limited recourse	-	-	1,472,742	4(d)	1,472,742
Non-recourse from Capital investments	469,685	-	-		469,685
Other non-recourse debt	-	438,291	-		438,291
Other non-current financial liabilities	6,123	8,452	-		14,575
Non-current portion of provisions	307,972	463,074	-		771,046
Other non-current non-financial liabilities	15,675	-	-		15,675
Deferred income tax liability	261,582	45,154	104,119	4(a)(i)	410,855
Total liabilities	5,225,723	1,923,688	2,410,652		9,560,063
Equity					
Share capital	556,987	119,687	1,122,273	4(e)	1,798,947
Retained earnings	3,007,060	578,975	(649,458)	4(e)	2,936,577
Other components of equity	323,323	-	-		323,323
Other components of equity of asset held for sale	(1,828)	-	-		(1,828)
Equity attributable to SNC-					
Lavalin shareholders	3,885,542	698,662	472,815		5,057,019
Non-controlling interests	28,309	(1,532)	-		26,777
Total equity	3,913,851	697,130	472,815		5,083,796
Total liabilities and equity	9,139,574	2,620,818	2,883,467		14,643,859

SNC-LAVALIN GROUP INC.
PRO FORMA CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2016
(Unaudited)

(in thousands of Canadian dollars, except earnings per share)

	SNC-Lavalin year ended December 31, 2016	Atkins year ended March 31, 2017 (note 3)	Pro forma adjustments	Note	Pro forma consolidated
	\$	\$	\$		\$
Revenues from:					
E&C	8,223,085	3,566,215	(3,049)	5(a)	11,786,251
Capital investments accounted for by the consolidation or cost methods	64,904	-	-		64,904
Capital investments accounted for by the equity method	182,844	-	-		182,844
	8,470,833	3,566,215	(3,049)		12,033,999
Direct costs of activities	7,264,735	2,141,604	-		9,406,339
Gross margin	1,206,098	1,424,611	(3,049)		2,627,660
Selling, general and administrative expenses	724,115	1,130,692	-		1,854,807
Restructuring costs	115,405	-	-		115,405
Acquisition-related costs and integration costs	4,409	9,423	-		13,832
Amortization of intangible assets related to Kentz acquisition	68,810	-	-		68,810
Amortization of intangible assets related to Atkins acquisition	-	-	144,678	5(b)	144,678
Gain on disposal of Capital investments	(55,875)	-	-		(55,875)
Loss (gain) on disposal of E&C businesses	37,133	(79,068)	-		(41,935)
Net profit on disposal of property Impairment of goodwill and acquired intangibles	-	(2,741)	-		(2,741)
	-	44,888	-		44,888
Amortization of other acquired intangibles	-	50,028	(50,028)	5(b)	-
Deferred acquisition payments	-	6,400	-		6,400
Income from other investments	-	(1,035)	-		(1,035)
Share of post-tax profit from joint ventures	-	(8,186)	-		(8,186)
EBIT⁽ⁱ⁾	312,101	274,210	(97,699)		488,612
Financial expenses	60,810	28,390	107,537	5(c)	196,737
Financial income and foreign exchange gains	(18,693)	(7,319)	-		(26,012)
Earnings before income taxes	269,984	253,139	(205,236)		317,887
Income taxes	13,419	32,396	(53,518)	5(e)	(7,703)
Net income	256,565	220,743	(151,718)		325,590
Net income attributable to:					
SNC-Lavalin shareholders	255,533	222,516	(151,718)		326,331
Non-controlling interests	1,032	(1,773)	-		(741)
Net income	256,565	220,743	(151,718)		325,590
Earnings per share					
Basic	1.70			5(f)	1.87
Diluted	1.70			5(f)	1.87

(i) Earnings before interest and taxes ("EBIT")

SNC-LAVALIN GROUP INC.
PRO FORMA CONSOLIDATED INCOME STATEMENT
For the three-month period ended March 31, 2017
(Unaudited)

(in thousands of Canadian dollars, except earnings per share)

	SNC-Lavalin three-month period ended March 31, 2017	Atkins three- month period ended March 31, 2017 (note 3)	Pro forma adjustments	Note	Pro forma consolidated
	\$	\$	\$		\$
Revenues from:					
E&C	1,788,324	948,460	(3,197)	5(a)	2,733,587
Capital investments accounted for by the consolidation or cost methods	12,432	-	-		12,432
Capital investments accounted for by the equity method	48,514	-	-		48,514
	1,849,270	948,460	(3,197)		2,794,533
Direct costs of activities	1,556,278	493,422	-		2,049,700
Gross margin	292,992	455,038	(3,197)		744,833
Selling, general and administrative expenses	157,090	328,610	-		485,700
Restructuring costs	2,825	-	-		2,825
Acquisition-related costs and integration costs	1,363	9,150	(1,077)	5(d)	9,436
Amortization of intangible assets related to Kentz acquisition	15,363	-	-		15,363
Amortization of intangible assets related to Atkins acquisition	-	-	36,170	5(b)	36,170
Gain from adjustment on disposal of E&C businesses	(719)	-	-		(719)
Gain on disposal of E&C businesses	-	(79,033)	-		(79,033)
Net profit on disposal of property	-	(2,662)	-		(2,662)
Impairment of goodwill and acquired intangibles	-	4,789	-		4,789
Amortization of other acquired intangibles	-	12,900	(12,900)	5(b)	-
Deferred acquisition payments	-	1,575	-		1,575
Income from other investments	-	(96)	-		(96)
Share of post-tax profit from joint ventures	-	(2,843)	-		(2,843)
EBIT⁽ⁱ⁾	117,070	182,648	(25,390)		274,328
Financial expenses	15,285	7,240	26,742	5(c)	49,267
Financial income and foreign exchange gains	(2,091)	(908)	-		(2,999)
Earnings before income taxes	103,876	176,316	(52,132)		228,060
Income taxes	8,804	22,338	(13,671)	5(e)	17,471
Net income	95,072	153,978	(38,460)		210,590
Net income attributable to:					
SNC-Lavalin shareholders	89,713	155,015	(38,460)		206,268
Non-controlling interests	5,359	(1,037)	-		4,322
Net income	95,072	153,978	(38,460)		210,590
Earnings per share					
Basic	0.60			5(f)	1.18
Diluted	0.60			5(f)	1.18

(i) Earnings before interest and taxes ("EBIT")

Notes to the Pro Forma Consolidated Financial Statements

(in Canadian dollars, unless otherwise indicated)

(Unaudited)

1. Basis of preparation

On July 3, 2017, SNC-Lavalin Group Inc. (“SNC-Lavalin” or the “Company”) completed the acquisition of WS Atkins Limited (formerly WS Atkins plc) (“Atkins”) by which SNC-Lavalin acquired the entire issued share capital of Atkins for £20.80 per share in cash, representing an aggregate cash consideration of approximately £2.09 million or \$3.5 billion (the “Acquisition”).

The Acquisition has been funded through a combination of equity and debt issuance. The funding includes a \$880.1 million public bought deal offering of SNC-Lavalin common shares (the “Offering”) which included an over-allotment option of \$80.0 million, a \$1.5 billion loan from Caisse de dépôt et placement du Québec (“Caisse”) to SNC-Lavalin Highway Holdings Inc. (the entity that holds SNC-Lavalin’s 16.77% interest in Highway 407 ETR through 407 International Inc.), a \$400.0 million private placement with Caisse (the “Private Placement”), as well as £300.0 million (CA\$499.9 million) term loan, and approximately £56.0 million and US\$185.0 million (respectively CA\$93.3 million and CA\$246.0 million) drawn on the Company’s existing revolving credit facility, (collectively (the “Funding”).

These unaudited pro forma consolidated financial statements have been prepared in connection with the filing the Company’s Business Acquisition Report regarding the Acquisition. They have been prepared for illustrative purposes only and give effect to the Acquisition as well as the Funding and pursuant to the assumptions and adjustments described in Notes 4 and 5.

The unaudited pro forma consolidated statement of financial position as at March 31, 2017 gives effect to the Acquisition and the Funding as if it had occurred as at March 31, 2017. The unaudited pro forma consolidated income statements for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 give effect to the Acquisition as if it had occurred on January 1, 2016.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position and results of operations that would have been achieved if the Acquisition and the Funding had been completed on those dates or for the periods presented, nor do they claim to project the results of operations or financial position of the consolidated entities for any future period or as of any future date.

In preparing the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated income statements, historical information of SNC-Lavalin and Atkins that were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, were used as follows:

- the audited annual consolidated financial statements of SNC-Lavalin as at December 31, 2016 and for the year then ended;
- Atkins Group audited financial statements as at March 31, 2017 and for the year then ended;
- the unaudited interim condensed consolidated financial statements of SNC-Lavalin as at and for the three-month period ended March 31, 2017; and
- the unaudited interim constructed consolidated income statement of Atkins for the three-month period ended March 31, 2017.

1. Basis of preparation (continued)

The pro forma adjustments are preliminary and are based on the available financial information and certain estimates and assumptions made by management, which provide a reasonable basis for presenting the significant financial effects directly attributable to the Acquisition and the Funding. The actual adjustments to the consolidated financial statements of SNC-Lavalin will differ from the pro forma adjustments since they will be completed in the future. Management believes that the pro forma adjustments give appropriate effect to those estimates and assumptions, and are properly applied to the unaudited pro forma consolidated financial statements. However, the pro forma financial statements do not reflect possible synergies or changes to historical transactions that may have occurred had the Acquisition and Funding actually occurred on the dates indicated.

As the annual consolidated financial statements of SNC-Lavalin and Atkins differ by less than 93 days, financial information for SNC-Lavalin for the fiscal year ended December 31, 2016 and financial information for Atkins for the year ended March 31, 2017 have been used in preparation of the pro forma consolidated income statement for the year ended December 31, 2016.

The audited consolidated financial income statement of Atkins for the year ended March 31, 2017 and the unaudited constructed income statement for the three-month period ended March 31, 2017 include an overlapping period from January 1, 2017 to March 31, 2017. Refer to the pro forma consolidated income statement for the three-month period ended March 31, 2017 for additional information for the period.

All amounts in these pro forma financial statements are in Canadian dollars, unless otherwise stated.

2. Significant accounting policies

The unaudited pro forma consolidated financial statements have been prepared on a basis consistent with significant accounting policies as set out in Note 2 of SNC-Lavalin's audited annual consolidated financial statements for the year ended December 31, 2016. In preparing the unaudited pro forma consolidated financial statements, management conducted a preliminary review of Atkins's IFRS accounting policies and performed a reconciliation to SNC-Lavalin's accounting policies (see Notes 3 and 4). However, these financial statements are prepared based on information known to date and may change as the Company completes its process.

3. Reconciliation adjustments

The following tables outline reconciling items to the historical financial information of Atkins as a result of the translation from Pounds sterling to Canadian dollars and reclassifications in order to provide a consistent classification and presentation with SNC-Lavalin's financial statement presentation.

As the historical financial information of Atkins was presented in Pounds sterling, the historical financial information was translated based on the following GBP:CAD exchange rates:

Closing exchange rate as of March 31, 2017	\$1.6662/£1
Average exchange rate for the year ended March 31, 2017	\$1.7133/£1
Average exchange rate for the three-month period ended March 31, 2017	\$1.6636/£1

3. Reconciliation adjustments (continued)

Atkins
Adjusted Consolidated Statement of Financial Position
As at March 31, 2017
(Unaudited)

(in thousands)

	Atkins March 31, 2017	Reclassifications	Notes	Atkins adjusted March 31, 2017	Atkins translated in Canadian dollars March 31, 2017
	£	£		£	\$
ASSETS					
Current assets					
Cash and cash equivalents	224,499	-		224,499	374,060
Restricted cash	-	-		-	-
Trade receivables	589,828	(276,540)	3(a)(i)	313,288	522,002
Contracts in progress	-	202,435	3(a)(i)	202,435	337,297
Other current financial assets	-	10,756	3(a)(i),(ii)	10,756	17,922
Other current non-financial assets	-	100,721	3(a)(i)	100,721	167,821
Financial assets at fair value through profit or loss	31,672	(31,672)	3(a)(ii)	-	-
Derivative financial instruments	5,700	(5,700)	3(a)(ii)	-	-
Total current assets	851,699	-		851,699	1,419,102
Property and equipment	55,369	-		55,369	92,255
Goodwill	380,755	-		380,755	634,414
Other intangible assets	186,771	-		186,771	311,198
Deferred income tax asset	58,518	-		58,518	97,503
Other non-current financial assets	-	11,163	3(a)(iv),(v)	11,163	18,600
Other non-current non-financial assets	-	28,655	3(a)(iii),(x),(v)	28,655	47,746
Investments in joint ventures	12,855	(12,855)	3(a)(iii)	-	-
Derivative financial instruments	8,000	(8,000)	3(a)(iv)	-	-
Post-employment benefit assets	15,800	(15,800)	3(a)(x)	-	-
Other receivables	3,163	(3,163)	3(a)(v)	-	-
Total assets	1,572,930	-		1,572,930	2,620,818

3. Reconciliation adjustments (continued)

Atkins
Adjusted Consolidated Statement of Financial Position (continued)
As at March 31, 2017
(Unaudited)

(in thousands)

	Atkins March 31, 2017	Reclassifications	Notes	Atkins adjusted March 31, 2017	Atkins translated in Canadian dollars March 31, 2017
	£	£		£	\$
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	533,174	(433,853)	3(a)(vi)	99,321	165,489
Downpayments on contracts	-	155,680	3(a)(vi)	155,680	259,394
Deferred revenues	-	120,636	3(a)(vi)	120,636	201,004
Other current financial liabilities	-	1,604	3(a)(vi), (vii)	1,604	2,673
Other current non-financial liabilities	-	202,705	3(a)(vi), (viii)	202,705	337,748
Current portion of provisions	1,346	-		1,346	2,242
Short-term debt and current portion of long-term debt:					
Other non-recourse borrowings	100	-		100	167
Derivative financial instruments	800	(800)	3(a)(vii)	-	-
Current income tax liabilities	45,972	(45,972)	3(a)(viii)	-	-
Total current liabilities	581,392	-		581,392	968,717
Long-term debt:					
Other non-recourse borrowings	263,048	-		263,048	438,291
Other non-current financial liabilities	4,372	700	3(a)(ix)	5,072	8,452
Non-current portion of provisions	2,998	274,924	3(a)(x)	277,922	463,074
Deferred income tax liability	27,100	-		27,100	45,154
Derivative financial instruments	700	(700)	3(a)(ix)	-	-
Post-employment benefit liabilities	274,924	(274,924)	3(a)(x)	-	-
Total liabilities	1,154,535	-		1,154,535	1,923,688
Equity:					
Share capital	522	71,310	3(a)(xi)	71,832	119,687
Retained earnings	347,483	-		347,483	578,975
Share premium account	62,410	(62,410)	3(a)(xi)	-	-
Merger reserve	8,900	(8,900)	3(a)(xi)	-	-
Equity attributable to Atkins shareholders	419,315	-		419,315	698,662
Non-controlling interests	(920)	-		(920)	(1,532)
Total equity	418,395	-		418,395	697,130
Total liabilities and equity	1,572,930	-		1,572,930	2,620,818

3. Reconciliation adjustments (continued)

Atkins Adjusted Consolidated Income Statement For the year ended March 31, 2017 (Unaudited)

(in thousands)

	Atkins year ended March 31, 2017	Reclassifications	Notes	Atkins adjusted year ended March 31, 2017	Atkins translated in Canadian dollars year ended March 31, 2017
	£	£		£	\$
Revenues from:					
E&C	2,081,500	-		2,081,500	3,566,215
	2,081,500	-		2,081,500	3,566,215
Direct costs of activities	1,249,994	-		1,249,994	2,141,604
Gross margin	831,506	-		831,506	1,424,611
Selling, general and administrative expenses	677,389	(17,435)	3(b)(i)	659,954	1,130,692
Acquisition-related costs and integration costs	-	5,500	3(b)(i)	5,500	9,423
Amortization of other acquired intangibles	-	29,200	3(b)(i)	29,200	50,028
Impairment of goodwill and acquired intangibles	-	26,200	3(b)(i)	26,200	44,888
Deferred acquisition payments	-	3,735	3(b)(i)	3,735	6,400
Net profit on disposal of businesses	(550)	(45,600)	3(b)(i)	(46,150)	(79,068)
Net profit on disposal of property	-	(1,600)	3(b)(i)	(1,600)	(2,741)
Income from other investments	(604)	-		(604)	(1,035)
Share of post-tax profit from joint ventures	(4,778)	-		(4,778)	(8,186)
EBIT⁽ⁱ⁾	160,049	-		160,049	274,210
Financial expenses	16,571	-		16,571	28,390
Financial income and foreign exchange gains	(4,272)	-		(4,272)	(7,319)
Earnings before income taxes	147,750	-		147,750	253,139
Income taxes	18,908	-		18,908	32,396
Net income	128,842	-		128,842	220,743
Net income attributable to:					
Owners of the parent	129,877	-		129,877	222,516
Non-controlling interests	(1,035)	-		(1,035)	(1,773)
Net income	128,842	-		128,842	220,743

(i) Earnings before interest and taxes ("EBIT")

3. Reconciliation adjustments (continued)

Atkins
Adjusted Consolidated Income Statement
For the three-month period ended March 31, 2017
(Unaudited)

(in thousands)

	Atkins three-month period ended March 31, 2017	Reclassifications	Notes	Atkins adjusted three-month period ended March 31, 2017	Atkins translated in Canadian dollars three-month period ended March 31, 2017
	£	£		£	\$
Revenues from:					
E&C	570,122	-		570,122	948,460
	570,122	-		570,122	948,460
Direct costs of activities	296,598	-		296,598	493,422
Gross margin	273,524	-		273,524	455,038
Selling, general and administrative expenses	165,485	32,043	3(b)(i)	197,528	328,610
Acquisition-related costs and integration costs	-	5,500	3(b)(i)	5,500	9,150
Amortization of other acquired intangibles	-	7,754	3(b)(i)	7,754	12,900
Impairment of goodwill and acquired intangibles	-	2,879	3(b)(i)	2,879	4,789
Deferred acquisition payments	-	947	3(b)(i)	947	1,575
Net profit on disposal of businesses	16	(47,523)	3(b)(i)	(47,507)	(79,033)
Net profit on disposal of property	-	(1,600)	3(b)(i)	(1,600)	(2,662)
Income from other investments	(58)	-		(58)	(96)
Share of post-tax profit from joint ventures	(1,709)	-		(1,709)	(2,843)
EBIT ⁽ⁱ⁾	109,790	-		109,790	182,648
Financial expenses	4,352	-		4,352	7,240
Financial income and foreign exchange gains	(546)	-		(546)	(908)
Earnings before income taxes	105,984	-		105,984	176,316
Income taxes	13,428	-		13,428	22,338
Net income	92,556	-		92,556	153,978
Net income attributable to:					
Owners of the parent	93,180	-		93,180	155,015
Non-controlling interests	(624)	-		(624)	(1,037)
Net income	92,556	-		92,556	153,978

(i) Earnings before interest and taxes ("EBIT")

3. Reconciliation adjustments (continued)

The following reconciliation adjustments reflect SNC-Lavalin's best estimates based upon the information currently available to SNC-Lavalin, and could be subject to change once more detailed information is obtained.

- (a) Modifications to the statement of financial position presentation include:
- (i) Presentation of trade receivables, amounts recoverable on contracts (contracts in progress), "other current financial assets" and "other current non-financial assets" on single line items on the face of the statement of financial position rather than within "trade and other receivables";
 - (ii) Presentation of the current portion of financial assets at fair value through profit or loss and current portion of derivative financial instruments within "other current financial assets";
 - (iii) Presentation of investment in joint ventures within "other non-current non-financial assets";
 - (iv) Presentation of derivative financial assets within "other non-current financial assets";
 - (v) Presentation of "other receivables" within "other non-current financial assets";
 - (vi) Presentation of trade payables, downpayments on contracts (fees invoiced in advance), deferred revenue, "other current financial liabilities" and "other current non-financial liabilities" on single line items rather than within "trade payables";
 - (vii) Presentation of derivative financial instruments within "other current financial liabilities";
 - (viii) Presentation of current income tax liabilities within "other current non-financial liabilities";
 - (ix) Presentation of derivative financial instruments within "other non-current financial liabilities";
 - (x) Presentation of post-employment benefit assets which is presented separately on the face of the statement of financial position within other "non-current non-financial assets" and presentation of post-employment benefit liabilities within "non-current portion of provisions"; and
 - (xi) Presentation of the share premium account and the merger reserve within "share capital".
- (b) Modifications to the income statement presentation:
- (i) Presentation of those items on separate income statement captions rather than on one single line item within "selling, general and administrative expenses".

4. Pro forma consolidated statement of financial position assumptions and adjustments

The pro forma consolidated statements of financial position includes the following adjustments:

(a) Acquisition of Atkins:

(i) Purchase price allocation:

A preliminary purchase price allocation was made in order to reflect the estimated fair value of the acquired identifiable assets and liabilities assumed taking into account all relevant information available.

Except for contracts in progress and intangible assets and the related tax effects, for the purposes of the pro forma consolidated financial statements, the fair value of assets acquired and liabilities assumed are presumed to be their carrying value of \$698.7 million (£419.3 million) in the historical financial statements of Atkins at March 31, 2017.

4. Pro forma consolidated statement of financial position assumptions and adjustments (continued)

(a) Acquisition of Atkins (continued):

(i) Purchase price allocation (continued):

The following table represents the pro forma adjustments to the historical financial information of Atkins at March 31, 2017 as a result of the purchase account (in thousands):

Consideration transferred	\$	3,504,935
Atkins' net assets acquired		(698,662)
		<hr/> 2,806,273
Pro forma adjustments:		
Increase of contracts in progress		11,899
Increase of acquired intangibles up to \$723,391		419,476
Increase of deferred tax liabilities		(104,119)
		<hr/>
Additional goodwill	\$	<hr/> 2,479,017 <hr/>

Because the Acquisition was only recently completed, it is not practicable to definitely allocate the purchase price. The finalization of the accounting for the business combination is expected to be completed as soon as the Company has gathered the information available and considered necessary in order to finalize this allocation. The effect may be to transfer an amount to or from assets acquired, liabilities assumed and goodwill. Particularly, the Company is in the process of evaluating the fair value of the acquired intangible assets and therefore their values may change significantly.

In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, July 3, 2017, the final allocation of the purchase price may vary significantly from the amounts used above.

(ii) Acquisition-related costs:

Acquisition-related cost incurred by the Company up to March 31, 2017 amounted to \$1.1 million. As such, those costs have already been recorded in retained earnings at March 31, 2017. Estimated acquisition-related costs after March 31, 2017 are expected to approximate \$83.8 million. For the purpose of the pro forma consolidated statement of financial position at March 31, 2017, an adjustment was made to reduce cash by \$83.8 million, retained earnings by \$70.5 million and increase deferred income tax asset by \$13.4 million.

(b) Financing of the Acquisition:

The aggregate cash consideration for the Acquisition of \$3.5 billion, as well as the acquisition-related costs of \$83.8 million was financed as follows:

- (i) \$880.1 million public bought deal offering of 17,105,000 subscription receipts completed through a syndicate of underwriters and a \$400.0 million concurrent private placement of 7,775,000 subscription receipts with the Caisse de dépôt et placement du Québec ("Caisse"). On July 3, 2017, each subscription receipt entitled the holder to automatically receive, without payment of additional consideration or further action, one common share of the Company. On that date, 24,880,000 common shares were issued. Share issuance costs amounted to \$51.9 million. For the pro forma consolidated statement of financial position, share capital was increased by \$1,242.0 million, net of the share issuance costs of \$51.9 million and the related deferred income tax assets of \$13.7 million.
- (ii) \$1.5 billion limited recourse loan from Caisse to SNC-Lavalin Highway Holdings Inc. with a maturity of seven years at an annual variable interest rate of CDOR plus 5% to 5.75%.
- (iii) A draw of £300.0 million (\$499.9 million) under the Term Facility with a maturity slip from three to five years and an annual variable interest rate of LIBOR three months + 1.45% at closing.

4. Pro forma consolidated statement of financial position assumptions and adjustments (continued)

(b) Financing of the Acquisition (continued):

- (iv) A draw of US\$185.0 million (\$246.0 million) and £56.0 million (\$93.3 million) under tranche C of the Revolving Facility for a total amount of \$339.3 million.
- (v) The financing costs for the draws under the limited recourse loan, Term Facility and Revolving Facility amounted to \$32.7 million.

The following reflect the net adjustment to cash and cash equivalents, long term debt and share capital in connection with the Funding described in Note 1 to these unaudited pro forma consolidated financial statements.

(c) Net adjustments to cash and cash equivalents comprise adjustments related to (in thousands):

Payment of cash consideration (note 4(a)(i))	\$	(3,504,935)
Proceeds from the public bought deal offering (note 4(b)(i))		880,052
Proceeds from the private placement (note 4(b)(i))		400,024
Payment of share issuance costs (note 4(b)(i))		(51,858)
Proceeds from the loan from Caisse (note 4(b)(ii))		1,500,000
Proceeds from the Term Facility (note 4(b)(iii))		499,860
Proceeds from drawdowns on Revolving Facility (note 4(b)(iv))		339,339
Payment of financing costs (note 4(b)(v))		(32,666)
Payment of acquisition-related costs (note 4(a)(ii))		(83,843)
Pro forma adjustment to cash and cash equivalents	\$	(54,027)

(d) Net adjustments to long-term debt comprise adjustments related to (in thousands):

New loan from Caisse (note 4(b)(ii))	\$	1,500,000
New term loan from the Term Facility (note 4(b)(iii))		499,860
Drawdowns on existing Revolving Facility (note 4(b)(iv))		339,339
Financing costs (note 4(b)(v))		(32,666)
Pro forma adjustment to long-term debt	\$	2,306,533

On the pro forma consolidated statement of financial position as at March 31, 2017, \$833.8 million is presented as an adjustment to recourse debt and \$1,472.7 million as an adjustment to limited recourse debt.

(e) Net adjustments to Equity comprises adjustments related to (in thousands):

Public bought deal offering (note 4(b)(i))	\$	880,052
Private placement (note 4(b)(i))		400,024
Share issuance costs (note 4(b)(i))		(51,858)
Related deferred income taxes (note 4(b)(i))		13,742
Elimination of Atkins' equity (note 4(a)(i))		(698,662)
Acquisition-related costs (note 4(a)(ii))		(83,843)
Related deferred income taxes (note 4(a)(ii))		13,360
Pro forma adjustment to equity	\$	472,815

4. Pro forma consolidated statement of financial position assumptions and adjustments (continued)

For additional information about the Revolving Facility, the Term Facility and the loan from Caisse, refer to the interim condensed consolidated financial statements of the Company as at and for the six-month periods ended June 30, 2017 and 2016 and to the annual financial statements of the Company as at and for the year ended December 31, 2016 filed on SEDAR on August 3, 2017 and March 2, 2017, respectively.

5. Pro forma consolidated income statements assumptions and adjustments

The unaudited pro forma consolidated income statements for the year ended December 31, 2016 and the three-month period ended March 31, 2017 include the following adjustments (in thousands):

(a) Revenue recognition policy

The revenue recognition accounting policies of SNC-Lavalin and Atkins differ in regards to the application of percentage of completion accounting applied to fixed price lump sum contracts whereby Atkins does not recognize revenue in excess of project costs until 50% of forecasted project costs have been incurred. This adjustment aligns the accounting for fixed price lump sum contracts with SNC-Lavalin's where revenue is recognized over the life of the project based on the agreed fee and contract costs incurred to date as a percentage of forecasted project costs.

As a result, revenues and cost of services have been adjusted as follows:

	Year ended December 31, 2016	Three-month period ended March 31, 2017
Decrease in revenues	\$ 3,049	\$ 3,197

(b) Adjustments to reflect the estimated fair value adjustments to assets acquired and liabilities assumed at the date of acquisition as follows:

	Year ended December 31, 2016	Three-month period ended March 31, 2017
Amortization of intangible assets related to Atkins acquisition	\$ 144,678	\$ 36,170

The intangible assets identified, consisting of clients contacts and relationships and trade names are amortized using the straight-line method over useful lives, which range from two to ten years.

The amortization of other acquired intangibles recorded in the historical financial statements of Atkins amounting to \$50.0 million and \$12.9 million for the year ended March 31, 2017 and the three-month period ended March 31, 2017, respectively, have been reversed.

5. Pro forma consolidated income statements assumptions and adjustments (continued)

- (c) Adjustment to financial expenses to reflect the additional interest on debt incurred to finance the Acquisition, the acquisition-related costs and the financing costs.

The pro forma adjustment to interest expense reflects the additional interest expense that would have been incurred during the historical periods presented assuming the Funding had occurred as of January 1, 2016.

The additional interest expense has been calculated using the effective interest rate method. In addition to the amortization of the deferred financing costs, the interest rate for the loan from Caisse, the Term Facility and the Revolving Facility have been assumed to be 6.08%, 1.93% and 0.48% respectively for the year ended December 31, 2016 and 6.11%, 1.8% and 0.35% respectively for the three-month period ended March 31, 2017.

- (d) Elimination of the non-recurring acquisition-related costs of \$1.1 million incurred by the Company in connection with the acquisition of Atkins during the three-month period ended March 31, 2017. No such costs were incurred during the year ended December 31, 2016.
- (e) Net adjustment to the income tax expense to reflect the tax effect on the above adjustments. The rates used to calculate the pro forma tax adjustments are based on the rates in effect during the periods presented and for those countries in which the adjustments relate.
- (f) The basic and diluted earnings per share have been computed as follows:

	Year ended December 31, 2016	
<i>(in thousands, except per share amount)</i>	<u>Basic</u>	<u>Diluted</u>
Actual weighted average number of SNC-Lavalin shares outstanding per historical statements	150,077	150,279
Assumed number of SNC-Lavalin shares to be issued on the acquisition of Atkins	24,880	24,880
Pro forma weighted average number of shares outstanding	174,957	175,179
Pro forma net income attributable to SNC-Lavalin shareholders	326,331	326,331
Pro forma net earnings per share	\$ 1.87	\$ 1.87
	Three-month period ended March 31, 2017	
<i>(in thousands, except per share amount)</i>	<u>Basic</u>	<u>Diluted</u>
Actual weighted average number of SNC-Lavalin shares outstanding per historical statements	150,380	150,548
Assumed number of SNC-Lavalin shares to be issued on the acquisition of Atkins	24,880	24,880
Pro forma weighted average number of shares outstanding	175,260	175,428
Pro forma net income attributable to SNC-Lavalin shareholders	206,268	206,268
Pro forma net earnings per share	\$ 1.18	\$ 1.18