Registered no.2212959

Hyder Consulting (UK) Limited

Annual report and financial statements for the year ended 31 March 2006

Hyder Consulting

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Registered office
29 Bressenden Place
London
SW1E 5DZ

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Directors

CSN Walls	(Resigned 25 November 2005)
GW Parry	(Resigned 31 March 2006)
NM Hempstead	
DJ Richards	
TT Sparkes	
PM Deason	(Resigned 25 November 2005)
GJ Glynn	

Company secretary

SJ Brand

Registered office

29 Bressenden Place
London
SW1E 5DZ

Auditors

PricewaterhouseCoopers LLP
31 Great George Street
Bristol BS1 5QD

Solicitors

Wragge and Co
55 Colmore Row
Birmingham
B3 2AS

Principal bankers

HSBC Bank PLC
22 Victoria Street
London
SW1N 0NJ

Overview

These results reflect further progress in realising our ambition to grow the management and advisory services offerings of the business, as well as the further development of our core engineering services. This has led to improved margin performance as well as volume growth in the year.

We continue to drive for margin improvement through our strategy of:-

- differentiation through client service quality and long term relationships
- servicing clients who recognise the value we bring
- supporting and promoting quality-driven staff who are valued by clients and by the Company.

Our successful strategy of pursuing infill acquisitions has continued with the major recent purchases of planning and infrastructure specialist Livic Limited which traded as Bettridge Turner and Partners (BTP), completed in March 2006, and of ecological consultancy Cresswell Associates, completed early in April 2006. The companies which were acquired in the last financial year, Ashact and Marcus Hodges Environment, have been successfully integrated into our business and are contributing positively to growth in the environmental market, as well as providing leverage to our activities in several important sectors.

Review of activities

Turnover increased to £88.9m (2005: £76.7m) and operating profit to £7.0m (2005: £3.2m).

One of our most prestigious projects throughout the year was the ongoing preparatory work for the multi-billion Design, Build, Finance & Operate (DBFO) scheme to widen 63 miles of the M25 Orbital Motorway. As well as calling on our traditional highway engineering skills, the project demonstrates our value added strategy in action through the provision of extensive input into the environmental and traffic management technology aspects of the project. We also continued our excellent record in winning Early Contractor Involvement (ECI) highways projects, being awarded the £72 million West Midlands package in partnership with Morrison PLC. Later in the year we were part of the consultant consortia awarded framework contracts for research and development and technical advisory services by the Highways Agency. We have continued to enjoy success in the Irish roads market, joining with European contractor partners on a number of significant Public Private Partnerships (PPP) and Private Finance Initiatives (PFI).

Our transportation planning and intelligent transport systems (ITS) skills have been in high demand throughout the year, enabling our skills base to almost double in size.

One of the biggest issues faced in the UK is land use. Ambitious targets for new housing and infrastructure have to be balanced with environmental considerations such as land remediation, habitat protection and flood risk. The award of the 2012 Olympics to London and the regeneration plans associated with the hosting of that event has further reinforced these challenges, to which our skills are highly matched. In addition, as part of our strategy in the South East, a further objective in the land development market has been to increase our range of contacts in the private sector. We were therefore delighted to complete the acquisition of BTP during the year. The 75 person firm has built an excellent reputation for the planning and infrastructure skills required to release sites for development, and has a client base that includes leading retailers and commercial developers. It also has the associated environmental skills and therefore favourably places us to offer comprehensive solutions to the developer market.

We have been working with the public and private sector on planning and development issues for some time, as well as helping local authorities to strategically assess the environmental impacts of their local development plans. New awards during the year included the preparation of the coastal tourism strategy for the whole of the Welsh coastline – some 1,300km, including 495km of defined Heritage Coast.

The growth of our environmental team is a further indicator of our strategy for becoming increasingly involved in the pre and early planning phases of projects. Last year witnessed a near doubling of our environmental skills resource to support this strategy. We have completed a reorganisation of our environmental, geotechnical and geoenvironmental teams into a single, integrated Environmental Solutions team. Among contract awards during the year was our appointment to the Office of Government Commerce environmental consultancy framework contract.

We have strengthened our position on frameworks related to the delivery of the Asset Management Programme stage 4 (AMP4) water investment programme. We were also appointed by Dwr Cymru Welsh Water to their Network Development Consultancy framework for the next fifteen years. Early in 2006, we secured a place on the team appointed to deliver over £120m of capital investment projects in a PPP scheme for water and wastewater upgrades in Northern Ireland in conjunction with Thames Water.

Our carefully targeted approach to business development in the enlarged European Union is a major source of opportunities for new water projects as those countries seek to raise the standards of their facilities. Having won a sizeable upgrading project in Latvia earlier in the year, we have the expertise and local partners in place to anticipate further wins. We have also continued to work on a number of highway schemes in the accession countries.

After a period of lower activity in the rail sector, work levels are rising and we have enjoyed improved success and are now better positioned to benefit from continued political pressure for investment in the UK rail network. New appointments included the replacement and upgrade of stations on the suburban network in Liverpool.

Pension Scheme

As part of the Company's efforts to address the pension scheme deficit, as calculated under FRS 17, a cash offer was made to deferred members to encourage transfers out of our final salary scheme. Approximately 20% of deferred members have shown interest in the Company's cash offer and are in the process of transferring out of the scheme, resulting in a reduction in the deficit.

A consultation exercise is currently underway with active members aimed at implementing additional changes to reduce the deficit.

Current Trading and Outlook

Our highways workload continues to grow as we build on our good relationships with both the Highways Agency and Transport for London. We are also well placed to take advantage of the strong transport market in Ireland, winning new projects through our new branch. In the second half of the year our water framework contracts came fully on stream and delivered an improved performance. The strength and visibility of our order backlog, which increased by 35% to £131m, provides a solid foundation for the future.

People

As in any professional services business, the quality of the service we provide is as good as the people within the business and how we keep them enthusiastic and motivated. At a time when demand for good quality engineers and technical staff is very high and extremely competitive across the world, Hyder Consulting is proactively encouraging good people management and development.

Our strategy puts employee development at all levels of the organisation at its core. At a number of senior levels, we now employ a range of psychometric skills and behavioural evaluators as part of a comprehensive assessment and career development programme. We are rolling out a blended learning programme, combining e-learning and tutorials, focusing on performance and people management issues. We are also investing in recruitment and employee assessment training.

The core competencies also provide the framework for development programmes for younger staff that aspire to move into management or technical leader roles. Individual career and training needs and preferences are addressed in regular performance reviews. Last year our training budget increased by 50% and will increase by a further 50% this year.

For many of our staff, one of the attractions of working for an international consultancy such as Hyder Consulting is the opportunity to work outside their home country. We have continued to encourage and support staff moves from region to region. This applies not only to more experienced employees; we have an annual programme for graduates in which we offer six-month overseas placements.

In order to measure progress against our strategy we have adopted a wider set of key performance indicators (KPIs) relating to our people. While these give us the headline story, we are investigating the underlying trends in client review meetings and our annual staff survey. Many of the initiatives mentioned above have been introduced or modified as a direct result of the feedback received.

Clients

We continue to carry out a programme of annual customer review interviews and assessments. These are invaluable surveys which help us become even more attuned to specific customer needs as well as helping to direct the future of the business. We are delighted that the customer confidence mark has increased for yet another year.

Once again I would like to thank all our employees for an outstanding job during a continuing period of change for the business.

NMHempstead

N.M. Hempstead
Chairman
12 June 2006

Directors' report

The Directors have pleasure in presenting their annual report to shareholders, together with the audited financial statements for the year ended 31 March 2006 on pages 11 to 28.

Principal activities and business review

The Company is engaged principally in the business of engineering and environmental consulting. The business review and future activities are covered in the Chairman's review on pages 2 to 4.

Results

The profit on ordinary activities before taxation amounted to £5,849,000 (2005: £1,751,000). The profit after tax was £3,977,000 (2005: £113,000 loss). The Directors do not recommend payment of a dividend (2005: £nil).

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of liquidity risk, credit risk, interest rate risk and foreign exchange risk. The Company has in place a risk management programme that seeks to limit the adverse effect on the financial performance of the Company by monitoring levels of debt finance and related finance costs.

Given the size of the Company, the directors do not delegate the responsibility of monitoring financial risk management to a sub-committee of the board.

Liquidity risk

The Company actively utilises appropriately termed debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansion.

Credit risk

The Company is mainly exposed to credit risk on amounts reported under the relevant Balance Sheet heading. In line with Company policy appropriate credit checks are performed on potential customers to identify potential risks. There are no significant credit risks associated with the balances reported and the Company does not utilise derivatives to manage its credit risk.

Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise loans to other companies in the Hyder Consulting Group and cash balances, which earn interest at fixed and floating rates. Interest on liabilities is also at fixed and floating rates. Overall interest rate management is managed by the Hyder Consulting Group central finance who revisit the appropriateness of the Group's policy as the Group and constituent companies' operations change in size and nature.

Directors

The names of the Directors of the Company are set out on page 1.

Directors' interests

There were no significant contracts existing during or at the end of the year with the Company or any of its subsidiaries (other than service contracts) in which any Director is, or was, materially interested.

Directors' interests in shares and share options

The Directors who held office at the year end and their interests in the shares of the ultimate holding company are set out below:

	Hyder Consulting PLC At 31 March 2006	Hyder Consulting PLC At 31 March 2005
Director	**Ordinary Shares of 10p**	**Ordinary Shares of 10p**
NM Hempstead	684	684
DJ Richards	2,684	2,684
GJ Glynn	30	30
TT Sparkes	1,808	1,808

At 31 March 2006 the following share options for Hyder Consulting PLC shares had been awarded under the Hyder Consulting PLC Executive Share Option Scheme:

Director	Date of Grant	Number of ordinary shares	Exercise Price	Exercisable between
NM Hempstead	19 June 2003	5,000	87.5 p	June 2006 and June 2013
	3 August 2004	1,000	139.5 p	August 2007 and August 2014
GW Parry	19 June 2003	5,000	87.5 p	June 2006 and June 2013
	3 August 2004	1,000	139.5 p	August 2007 and August 2014
DJ Richards	19 June 2003	5,000	87.5 p	June 2006 and June 2013
	3 August 2004	5,000	139.5 p	August 2007 and August 2014
	9 June 2005	10,000	194.0 p	June 2008 and June 2015
PM Deason	19 June 2003	5,000	87.5 p	June 2006 and June 2013
	3 August 2004	1,000	139.5 p	August 2007 and August 2014
GJ Glynn	19 June 2003	5,000	87.5 p	June 2006 and June 2013
	3 August 2004	5,000	139.5 p	August 2007 and August 2014
	9 June 2005	10,000	194.0 p	June 2008 and June 2015
TT Sparkes	19 June 2003	5,000	87.5 p	June 2006 and June 2013
	3 August 2004	5,000	139.5 p	August 2007 and August 2014
	9 June 2005	10,000	194.0 p	June 2008 and June 2015

No Directors have had or have any interest in the share capital of the Company.

Policy on the payment of creditors

It is Company policy to comply with the terms of payment agreed with suppliers. Where payment terms are not negotiated the Company endeavours to adhere to the suppliers' standard terms. The average payment term in respect of the year was 35 days (2005: 42 days).

Employment policies

Management recognise that employees are key to both the present and future success of the Company and support the fundamental belief that to maximise the potential of every individual there must be:

- Significant investment in training and development.
- A supportive working environment.
- Employee participation and involvement in business matters.

To this end the management are developing a framework of comprehensive policies which will balance both the Company and individual needs. Across the Company all employees have the opportunity to discuss their individual performance and development in a focused way.

Management continues to consult employees at all levels in the spirit of partnership and co-operation and the use of employee opinion and attitude surveys provides management with valuable information upon which to base policy decisions.

Management continues to promote its equal opportunity policy and offers equality of opportunity and support for disabled employees and maintains good links with external organisations to encourage involvement in the workplace of disabled members of the wider community. Arrangements are made where possible for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities in line with the Company's operational requirements.

Contributions for charitable and political purposes

During the year, there have been no political donations. Charitable donations amounted to £575 (2005: £610).

Post Balance Sheet event

Since 31 March 2006 the Company has acquired Cresswell Associates Environmental Consultancy Limited, an environmental consultancy business for a total consideration of £3,503,000.

Auditors

In accordance with section 234ZA of the Companies Act 1985 the Directors confirm so far as they are aware, there is no relevant audit information, that is, information needed by the Company's auditors in connection with preparing their report, of which the Company's auditors are unaware, and the Directors have taken all steps that they ought to have taken (as detailed in Section 234ZA) in order to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information.

A resolution to reappoint the auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting.

By order of the Board

SJ Brand

SJ Brand
Company Secretary

12 June 2006

Directors' responsibilities for the financial statements

Company Law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the profit or loss of the Company for that year.

In preparing the financial statements, the Directors are required to:-

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

SJ Brand
Company Secretary

12 June 2006

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

We have audited the financial statements of Hyder Consulting (UK) Limited for the year ended 31 March 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders funds, the balance sheet, the principal accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, and the Chairman's review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
12 June 2006

Profit and loss account for the year ended 31 March 2006

	Note	2006 £'000	As restated 2005 £'000
Turnover	1	**88,875**	76,683
Operating costs before exceptional items		(84,053)	(73,438)
Exceptional items	3	2,218	-
Net operating costs	2	**(81,835)**	(73,438)
Operating profit		**7,040**	3,245
Interest receivable		**27**	9
Interest payable	5	**(1,218)**	(1,503)
Profit on ordinary activities before taxation		**5,849**	1,751
Taxation	6	**(1,872)**	(1,864)
Retained profit/(loss) for the year	17	**3,977**	(113)

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

All of the above amounts relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 March 2006

	2006 £'000	As restated 2005 £'000
Profit/(loss) for the financial year	**3,977**	(113)
Actuarial loss on pension scheme	**(9,808)**	(6,406)
Movement on deferred tax relating to pension liability	**2,942**	1,923
Foreign currency translation	**(4)**	(16)
Total recognised losses for the year	**(2,893)**	(4,612)
Prior year adjustment – FRS 17	**(28,258)**	
Total losses recognised since last annual report	**(31,151)**	

Reconciliation of movements in shareholders' funds for the year ended 31 March 2006

	2006 £'000	As restated 2005 £'000
Profit/(loss) for the year	**3,977**	(113)
Actuarial loss on pension scheme	**(9,808)**	(6,406)
Movement on deferred tax relating to pension liability	**2,942**	1,923
Foreign currency translation	**(4)**	(16)
Net reduction in shareholders' funds	**(2,893)**	(4,612)
Opening shareholders' funds as previously reported	**17,441**	16,228
Prior year adjustment – FRS 17	**(28,258)**	(22,433)
Opening shareholders' funds as restated	**(10,817)**	(6,205)
Closing shareholders' funds	**(13,710)**	(10,817)

Balance sheet as at 31 March 2006

	Note	2006 £'000	As restated 2005 £'000
Fixed assets			
Tangible assets	7	**2,926**	2,955
Investments	8	**6,092**	3,143
		9,018	6,098
Current assets			
Debtors	9	**35,451**	31,757
Cash at bank and in hand		**3,870**	2,375
		39,321	34,132
Current liabilities			
Creditors: amounts falling due within one year	11a	**(25,500)**	(18,780)
Net current assets		**13,821**	15,352
Total assets less current liabilities		**22,839**	21,450
Creditors: amounts falling due after more than one year	11b	**(1,945)**	(1,190)
Provisions for liabilities and charges	15	**(2,077)**	(2,483)
Net assets excluding pension deficit		**18,817**	17,777
Pension liability	19	**(32,527)**	(28,594)
Net liabilities including pension deficit		**(13,710)**	(10,817)
Capital and reserves			
Called up share capital	16	**11,091**	11,091
Profit and loss reserve	17	**(24,801)**	(21,908)
Total equity shareholders' funds		**(13,710)**	(10,817)

The financial statements on pages 11 to 28 were approved by the Board of Directors on 12 June 2006 and were signed on its behalf by:

N M Hempstead

Neil Hempstead
Director

Principal accounting policies

The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom and comply with the Companies Act 1985. A summary of the principal accounting policies, which have been consistently applied, is set out below.

Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention.

Change in accounting policy

The group has adopted FRS 17 "post retirement benefits" in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The adoption of FRS 17 has resulted in the following impact on the profit and loss account and the statements of recognised gains and losses for the years ended 31 March.

	2006	2005
	£'000	£'000
Operating profit	**1,025**	166
Interest payable	**(960)**	(1,228)
Taxation	**(1,177)**	(280)
	(1,112)	(1,342)

Analysis of prior year adjustment

Adjustment to reserves at 1 April 2004	**(22,433)**
Adjustment to profit and loss account for year ended 31 March 2005	**(1,342)**
Adjustment to statement of total recognised gains and losses for the year ended 31 March 2005	**(4,483)**
	(28,258)

Consolidated accounts

The Company has taken advantage of the exemption granted by Section 228 Companies Act 1985 not to prepare consolidated accounts as it is a wholly owned subsidiary of another UK company which publishes consolidated accounts.

Turnover

Turnover, which excludes Value Added Tax, is principally derived from long term contracts. It is stated on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts.

Cash flow statement

A cash flow statement is not required at 31 March 2006 as the Company is a wholly owned subsidiary of Hyder Consulting PLC which prepares a consolidated cash flow statement. The accounts of Hyder Consulting PLC are publicly available.

Exceptional items

Exceptional items are those that need to be disclosed by virtue of their size and incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the group, or profits or losses on the disposal of fixed assets. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

Tangible fixed assets and depreciation

Tangible fixed assets are included at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, over their estimated useful lives on a straight line basis as follows:

Leasehold properties and improvements	over the period of the lease
Fixed plant	2-5 years
Computer hardware and software	2-5 years
Motor vehicles	5 years

Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the company (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charges being written off to the profit and loss account over the period of the lease in reducing amounts in relation to the written down amount. The assets are depreciated over their estimated useful life or the lease period whichever is shorter. All other leases are regarded as operating leases. Rental costs arising under operating leases are charged to the profit and loss account in the year to which they relate, with the exception of rental costs on surplus properties which are charged against a provision set up for this purpose.

Investments

Long term investments held as fixed assets are stated at cost less amounts written off or provided to reflect impairment. Those held as current assets are stated at the lower of cost and net realisable value.

Long term contract accounting

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

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

Pension costs

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

For defined benefit schemes, the obligation is calculated by independent actuaries using the Projected Unit Credit Method. Actuarial gains and losses, which represent differences between the expected and actual return on the plan assets and the effect of changes in the actuarial assumptions, are recognised in full in the period in which they occur on the Statement of Total Recognised Gains and Losses.

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

Foreign currencies

Overseas branches' balance sheets and profit and loss accounts are translated into sterling at closing rates of exchange. All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit for the year.

Deferred taxation

Deferred taxation is provided on an undiscounted basis on all timing differences that have originated but not reversed at the balance sheet date except as referred to below. Amounts provided are calculated with reference to tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Provision is made for tax that would arise on the remittance of the retained earnings of overseas subsidiaries, only to the extent that the dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Vacant properties

Provisions are made based on the estimated net present value of future rental payments less subletting income where properties are vacant, using independent professional advice. The discount factor used in coming to the future rentals value is based on the Group's weighted average cost of capital for the average period of the lease. As at 31 March 2006 this was deemed to be 8.5%.

Claims including excess

The Company provides for excesses on professional indemnity insurance claims at the point these are notifiable to its insurers. Amounts provided are based on estimates derived applying percentage probabilities to the expected outturn of the claim. Claims deemed to have a low chance of success, set at 30% probability, are not provided for. The amounts provided against specific indemnity claims are necessarily judgemental and are revised regularly in the light of known circumstances.

1. Segmental analysis by geographical area by destination/origin

(a) Turnover by destination

	2006 £'000	2005 £'000
United Kingdom and rest of Europe	**85,399**	73,341
Far East	**799**	1,895
Rest of the world	**413**	306
Total to third parties	**86,611**	75,542
Total to fellow subsidiary undertakings	**2,264**	1,141
	88,875	76,683

(b) Turnover by origin

	£'000	2005 £'000
United Kingdom and rest of Europe	**86,611**	75,542
Far East	-	-
Rest of the world	-	-
Total to third parties	**86,611**	75,542
Total to fellow subsidiary undertakings	**2,264**	1,141
	88,875	76,683

The profit and loss on ordinary activities before taxation is substantially derived from assets held within the U.K.

2. Net operating costs

	Before Exceptional Items 2006 £'000	Exceptional Items 2006 £'000	Total 2006 £'000	As restated 2005 £'000
Continuing operations:				
Staff costs (Note 4c)	**46,297**	-	**46,297**	42,468
Depreciation:				
Own assets	**658**	-	**658**	740
Assets held under finance leases	**779**	-	**779**	690
Rentals under operating leases:				
Land and buildings	**1,762**	-	**1,762**	1,753
Vehicles	**1,497**	-	**1,497**	1,452
Fees paid to auditors:				
Audit services	**117**	-	**117**	111
Taxation services	**171**	-	**171**	177
Other operating charges	**33,178**	(2,218)	**30,960**	26,087
Dividends received from Subsidiary undertakings	**(242)**	-	**(242)**	-
Exchange differences	**(196)**	-	**(196)**	(40)
Loss on disposal of fixed assets	**19**	-	**19**	-
Loss on disposal of subsidiaries	**13**	-	**13**	-
	84,053	(2,218)	**81,835**	73,438

3. Exceptional Items

During the year an offer was made to deferred members to transfer out their benefits from the scheme, which was enhanced by an incentive payment from the Company. The offer was accepted by approximately 20% of deferred members giving rise to a saving against the FRS17 deficit of £3.7m. After the incentive payment and professional fees a pre-tax gain of £2,218,000 has been recognised in the year.

4. Directors and employees

(a) Directors' remuneration

	2006 £'000	2005 £'000
Aggregate emoluments (including benefits in kind)	**594**	630
Contributions to defined contribution schemes	**24**	15
Contributions to defined benefit schemes	**72**	50

Retirement benefits are accruing to 3 directors (2005: 5) under a defined benefit scheme.
Retirement benefits are accruing to 1 director (2005: 2) under a defined contribution scheme.

(b) Highest paid Director

	2006 £'000	2005 £'000
Aggregate emoluments (including benefits in kind and excluding gains on shares and options)	**105**	138
Defined benefit pension schemes: Accrued pension at end of year	**6**	9

(c) Staff costs (including Directors)

	2006 £'000	As restated 2005 £'000
Wages and salaries	**39,374**	36,687
Social security costs	**3,580**	3,306
Pension costs (Note 19)	**3,343**	2,475
	46,297	42,468

(d) Average monthly number of employees during the year (including Directors)

	2006 Number	2005 Number
Technical	**1,194**	1,054
Administration	**138**	199
	1,332	1,253

5. Interest payable

	2006 £'000	As restated 2005 £'000
On finance leases	**149**	95
Other interest	**42**	84
Unwinding of discounts in provisions (Note 15)	**67**	66
Other finance costs (Note 19)	**960**	1,258
	1,218	1,503

6. Taxation

	2006 £'000	As restated 2005 £'000
Current Tax		
UK Corporation tax on profit for the period	**1,375**	1,271
Adjustment in respect of previous period	**(528)**	59
Overseas tax	**(127)**	(40)
Current year tax charge	**720**	1,290
Deferred taxation		
Origination and reversal of timing differences	**1,152**	574
Tax on profit on ordinary activities	**1,872**	1,864
Reconciliation of current year tax charge:		
Profit on ordinary activities before tax	**5,849**	1,751
Expected tax charge at 30% of profit before tax	**1,755**	525
Expenses not deductible for tax purposes	**424**	110
Payment for group relief	**455**	588
Overseas tax	**(127)**	(41)
Other timing differences	**(1,259)**	49
Adjustment in respect of previous period	**(528)**	59
Current year tax charge	720	1,290

The current year tax charge has been increased by the provision for payment of £1 for each £1 of tax losses received as group relief.

7. Tangible fixed assets

	Leasehold properties and improvements £'000	Vehicles, plant, equipment, computer hardware & software £'000	Total £'000
Cost or valuation			
At 1 April 2005	1,393	11,623	13,016
Additions at cost	17	1,410	1,427
Disposals	(155)	(3,696)	(3,851)
Exchange difference	-	9	9
At 31 March 2006	**1,255**	**9,346**	**10,601**
Accumulated depreciation			
At 1 April 2005	485	9,576	10,061
Charge for year	205	1,232	1,437
Disposals	(156)	(3 [illegible]	(3,832)
Exchange difference	-	9	9
At 31 March 2006	**534**	**7,141**	**7,675**
Net book value			
At 31 March 2006	**721**	**2,205**	**2,926**
At 31 March 2005	908	2,047	2,955

Included within the net book value £1,610,000 relates to finance leases (2005: £1,245,974). Within the depreciation charge for the year £778,834 relates to finance leases (2005: £690,333). All leasehold properties are short term leases.

8. Fixed asset investments

	Interests in subsidiary under-takings £'000	Interests in Associated under-takings £'000	Interests in Joint Ventures £'000	Total £'000
Cost				
At 1 April 2005	7,254	64	244	7,562
Additions	3,526	-	-	3,526
Adjustment to deferred consideration	(564)	-	-	(564)
Disposals	(4,124)	-	-	(4,124)
At 31 March 2005	**6,092**	**64**	**244**	**6,400**
Amounts provided				
At 1 April 2005	4,111	64	244	4,419
Disposals	(4,111)	-	-	(4,111)
At 31 March 2006	**-**	**64**	**244**	**308**
Net book value at 31 March 2006	**6,092**	**-**	**-**	**6,092**
Net book value at 31 March 2005	3,143	-	-	3,143

During the year an exercise was undertaken to liquidate a number of dormant subsidiaries resulting in a loss on disposal of £12,604.

Acquisitions

Hyder Consulting (UK) Limited purchased the entire share capital of the following company:

Company	Date Acquired	Purchase consideration (inc. transaction costs) £'000
Livic Limited (trading as Bettridge Turner and Partners (BTP))	23 March 2006	3,526

Joint ventures comprise:

Name	Activity	Proportion	Country of incorporation, registration and operation
McCarthy Hyder Consultants Ltd	Consulting Engineer	50%	Ireland

9. Debtors

	2006 £'000	As restated 2005 £'000
Amounts falling due within one year:		
Trade debtors	**18,136**	16,100
Amounts recoverable on contracts	**10,745**	9,053
Amounts owed by parent company and fellow subsidiary undertakings	**4,469**	3,679
Corporation tax	**119**	-
Other debtors	**344**	686
Prepayments and accrued income	**723**	1,365
	34,536	30,883
Amounts falling due after more than one year:		
Deferred tax asset (Note 10)	**713**	688
Prepayments and accrued income	**202**	186
	35,451	31,757

10. Deferred tax asset

	2006 £'000	As restated 2005 £'000
At 1 April	**688**	980
Credited/(charged) to profit and loss account	**25**	(285)
Acquired on acquisition of business	**-**	(7)
At 31 March	713	688
Comprising:		
Accelerated capital allowances	**561**	655
Other timing differences	**152**	40
Acquired on acquisition of business	**-**	(7)
	713	688

11. Creditors

(a) Amounts falling due within one year

	2006 £'000	2005 £'000
Overdrafts & bank loans	6	-
Payments received on account of contracts	4,536	3,725
Trade creditors	3,396	3,759
Amounts owed to parent and fellow subsidiary undertakings	7,236	3,777
Corporation tax	-	356
Other taxation and social security	3,228	2,897
Other creditors	4,310	1,888
Accruals and deferred income	1,919	1,700
Obligations under finance leases (Note 12)	869	678
	25,500	18,780

(b) Amounts falling due after more than one year

	2006 £'000	2005 £'000
Overdrafts & bank loans	193	-
Other creditors	810	382
Obligations under finance leases (Note 12)	942	808
	1,945	1,190

12. Obligations under finance leases

	2006 £'000	2005 £'000
Amounts due are payable as follows:		
Within one year	869	678
Between one and two years	653	510
Between two and five years	289	298
	1,811	1,486

13. Capital commitments

	2006 £'000	2005 £'000
Contracted for but not provided in the financial statements	-	210

14. Leasing commitments

At 31 March 2006 there were revenue commitments, in the ordinary course of business, in the next year to the payment of rentals on non-cancellable operating leases expiring:

	Land and buildings		Others	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Within one year	**18**	170	**143**	155
Between two and five years	**354**	354	**1,102**	919
After more than five years	**1,295**	1,143	**-**	-
	1,667	1,667	**1,245**	1,074

15. Provisions for liabilities and charges

	Note	As restated At 1 April 2005	Released to profit and loss account	Charged to profit and loss account	Utilised in year	Unwinding of discount	At 31 March 2006
		£'000	£'000	£'000	£'000	£'000	£'000
Professional indemnity insurance excesses	(a)	1,374	(27)	-	(402)	-	**945**
Vacant property	(b)	1,109	-	88	(132)	67	**1,132**
		2,483	(27)	88	(534)	67	**2,077**

(a) Professional indemnity insurance excesses

The provision reflects management's estimate of the likely cost of professional indemnity insurance excesses on notified claims and has been provided in accordance with Company policy. These provisions will be carried forward until the claims to which they relate are agreed and the amounts utilised or released as appropriate.

(b) Vacant property

The provision represents the net present value of future rentals where properties are vacant. These provisions will be utilised up until such time as the vacant properties are re-let (when the requirement for a provision will be reassessed), or the lease terminates, whichever occurs earlier.

16. Called up share capital

	2006 £'000	2005 £'000
Authorised:		
11,091,000 Ordinary shares of £1 each (2005: 11,091,000)	**11,091**	11,091
Allotted, called up and fully paid:		
11,091,000 Ordinary shares of £1 each (2005: 11,091,000)	**11,091**	11,091

17. Profit and loss reserve

	£'000
1 April 2005 as previously reported	6,350
Prior year adjustment – FRS 17	(28,258)
1 April 2005 as restated	(21,908)
Retained profit for the financial year	3,977
Actuarial loss on pension scheme	(9,808)
Movement on deferred tax relating to pension scheme	2,942
Foreign currency translation	(4)
31 March 2006	
Pension deficit	32,527
Profit and loss excluding pension deficit	7,726

18. Directors' and officers' loans and transactions

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

19. Pension schemes

Employees of the Company participate in a number of pension schemes in the UK. The principal scheme in the UK is the Acer Group Pension Scheme (AGPS) which is a defined benefit scheme. During the year contributions were also made to the Hyder Consulting Limited Group Personal Pension Plan, a defined contribution scheme. The assets of the schemes are held separately from the assets of the Company and are administered by trustees.

The pension cost for the AGPS, being the principal UK scheme for Hyder Consulting (UK) Limited, has been assessed in accordance with actuarial advice, using the attained age method. For this purpose the main actuarial assumptions used are based upon investment return of 7.7% per annum, pay growth of 2.9% per annum, increases to pensions in payment of 2.9% per annum which were the assumptions used for the most recent valuation of the AGPS.

A full actuarial valuation of the AGPS was carried out as at 1 April 2005 and updated to 31 March 2006 by a qualified independent actuary. The contribution made to the scheme in the accounting period was £2,226,000 (2005 £1,719,000). The Company contribution rate was increased to 13.6% with effect from 1 April 2005, and to £2.5m per annum with effect from 1 January 2006. Contribution levels for members over 45 years of age at 1 April 2005 and those accruing benefits on an enhanced scale were increased by between 1% and 5.5% in order to allow members to continue to accrue benefits at their previous level. As an alternative, members were able to pay contributions at a lower rate for a reduced pension accrual rate of 1/80th of salary for each year of service or opt-out of the Scheme. As the Scheme is closed to new members, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The total post employment benefit cost, excluding settlement gains, recognised in the profit and loss account for the period was £3,343,000 (2005: £2,475,000). Audit fees for the pension scheme amounted to £9,000 for the year (2005: £9,000).

The major assumptions used by the actuary were (in nominal terms):

	At 31 March 2006	At 31 March 2005	At 31 March 2004
	% per annum	% per annum	% per annum
Rate of increase of salaries	**2.90**	2.92	2.89
Rate of increase of pensions in payment and deferred pensions	**2.85**	2.92	2.89
Discount rate	**5.00**	5.60	5.70
Inflation assumption	**2.90**	2.92	2.89

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 March 2006 % per annum	**Value at 31 March 2006 £'000**	Long term rate of return expected at 31 March 2005 % per annum	As restated Value at 31 March 2005 £'000	Long term rate of return expected at 31 March 2004 % per annum	As restated Value at 31 March 2004 £'000
Equities	8.00	**51,016**	8.00	38,219	7.50	28,927
Bonds	5.20	**18,838**	5.65	26,264	5.30	29,988
Other	4.50	**5,761**	4.75	(37)	4.00	1,016
Total market value of assets		**75,615**		64,446		59,931
Present value of scheme liabilities		**(117,700)**		(100,852)		(88,810)
Deficit in the scheme		**(42,085)**		(36,406)		(28,879)
Present value of *unfunded liabilities*		**(799)**		(780)		(870)
Pension deficit		**(42,884)**		(37,186)		(29,749)
Related deferred tax asset		**10,357**		8,592		6,959
Net pension deficit		**(32,527)**		(28,594)		(22,790)

Notes

(1) At the date of the last funding valuation (1 April 2005), the scheme held assets to the value of £64.2m. This represented a funding level of 72.4% of the scheme's accrued liabilities at that date.

(2) The Minimum Funding Requirement solvency level was certified by the scheme's independent actuary as being 89.0% as at 1 April 2005 and hence there is no statutory obligation to fund the pension deficit shown under FRS17.

Analysis of the amount (credited) / charged to operating profit	**2006**	2005
	£'000	£'000
Current service cost	**945**	1,584
Settlements / curtailments	**(3,711)**	-
Total operating (income) / charge	**(2,766)**	1,584

Movement in deficit in the year	**2006**	2005
	£'000	£'000
Deficit in scheme at beginning of year	**(37,186)**	(29,749)
Movement in year:		
Current service cost	**(945)**	(1,584)
Contributions	**2,304**	1,811
Past service costs and settlement	**3,711**	-
Other finance income	**(960)**	(1,258)
Actuarial loss	**(9,808)**	(6,406)
Deficit in scheme at end of year	**(42,884)**	(37,186)

Analysis of the amount charged to other finance income	**2006**	2005
	£'000	£'000
Expected return on pension scheme assets	**4,732**	3,791
Interest on pension scheme liabilities	**(5,692)**	(5,049)
Net expense	**(960)**	(1,258)

Analysis of amount recognised in statement of total recognised gains and losses	**2006**	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	**5,199**	1,188
Experience gains and losses arising on the scheme liabilities	**(1,751)**	178
Changes in assumptions underlying the present value of the liabilities	**(13,256)**	(7,772)
Actuarial losses	**(9,808)**	(6,406)

History of experience gains and losses	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:				
Amount (£m)	**5.2**	1.2	5.0	(17.0)
Percentage of scheme assets	**7%**	2%	8%	(35%)
Experience of gains and losses on scheme liabilities:				
Amount (£m)	**(1.8)**	0.2	(0.4)	0.2
Percentage of the present value of the scheme liabilities	**(1%)**	0%	0%	0%
Total amount recognised in statement of total recognised gains and losses				
Amount (£m)	**(9.8)**	(6.4)	1.3	(23.6)
Percentage of the present value of the scheme liabilities	**(8%)**	(6%)	1%	(29%)

20. Contingent liabilities

The Directors estimate that at 31 March 2006 the maximum contingent liability in respect of potential professional indemnity claims relating to contracts not covered by insurance or provided for in the financial statements amounted to £3,839,000 (2005: £2,893,000). The Directors do not consider any provision is necessary in respect of these amounts, as they consider any likelihood of loss to be remote based on legal and other advice received.

The Company has entered into performance guarantees supporting project requirements. The potential liability of the company at 31 March 2006 totalled £ 2,052,553 (2005: £1,159,341). The Directors do not consider any provision is necessary in respect of these amounts.

21. Related Party transactions

In accordance with the exemption afforded by Financial Reporting Standard 8, there is no disclosure in these financial statements of transactions with entities that are part of the Hyder Consulting PLC group.

22. Ultimate holding company and controlling party

The Company's intermediate holding company is Hyder Consulting Europe Ltd and its ultimate holding company and controlling party is Hyder Consulting PLC, a company registered in England and Wales. Copies of the report and the consolidated financial statements of Hyder Consulting PLC are available from: The Company Secretary, 29 Bressenden Place, London, SW1E 5DZ.