

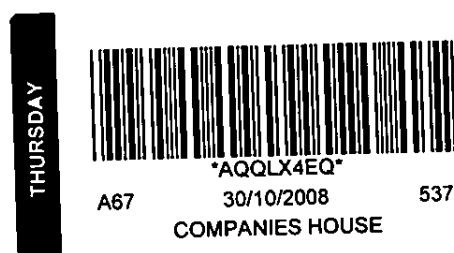
Registered no.2212959

Hyder Consulting (UK) Limited

Annual report and financial statements for the year ended 31 March 2008



Registered office
29 Bressenden Place
London
SW1E 5DZ



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Directors and advisors

Directors

AJ Proctor
NM Hempstead (resigned 28 April 2008)
TT Sparkes
AA McGuire
NR Kemble
CJ Evans
MJ Clarke (appointed 23 May 2007)

Company secretaries

SJ Brand
NJ Hunt

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

Chairman's review

Overview

I am pleased to report we have again increased our workload in the engineering design market as well as in advisory services. This was achieved despite the changing market conditions in the UK with respect to the Government's comprehensive spending review and the challenges in the property sector.

Review of Operations

- Revenue increased to £105m (2007 £98.9m)
- Operating profit £7.9m (2007 £11.1m)
- Operating profit adjusted for exceptional items £7.9m (2007 £5.4m)
- Adjusted operating margin 7.5% (2007 5.4%)
- Average number of employees 1,617 (2007 1,555)

Our environmental business continues to grow and at the same time we have continued the success of our core water and transportation sectors.

We have continued to develop the environmental agenda across all design and advisory sectors and with the majority of our clients. Specifically we continue to grow our waste business and our strategic environmental assessment services which remain critical to the development of project and planning in the UK.

Within the property sector, our health and education portfolio of projects experienced further growth across the UK with the notable schools project in Dumfries and Galloway.

As part of our Olympics project strategy we have supported our clients who are key to making the event happen, in particular water, transportation and ground remediation clients.

We were proud to be awarded the design commission for the Weymouth Sailing Centre where the Olympic sailing event will be held.

UK staff work extremely closely with our overseas business units, particularly in the Middle East where our specific front end design skills for highways and geotechnical services remain much in demand. It is a similar situation to our continued growth in Eastern Europe, particularly Romania where we deliver design and supervision services on EEC funded projects.

We have specifically targeted the energy sector which has delivered good growth in the areas of wind energy and biomass and we were successful in securing a framework for Nuclear Decommissioning Services.

Pension Scheme

The Company operates both defined benefit and defined contribution schemes as detailed in Note 19.

Over recent years we have taken a number of steps to address the deficit existing in the AGPS which is closed to new members. During the year further members transferred their liabilities out of the scheme, enhanced by an incentive payment from the Company, giving rise to additional savings against the FRS 17 deficit of £0.4m. A special contribution of £2.0m was paid into the scheme during April 2007.

The deficit in the scheme at 31 March 2008 has reduced to £22.5m (2007 £32.7m). The decrease in the deficit reflects excess contributions during the year, actuarial gains resulting from increases in the discount rate and better than expected asset returns, partially offset by actuarial losses due to improving mortality.

Chairman's review

The key assumptions and the sensitivities of the AGPS scheme liabilities to changes in these assumptions are shown below

Assumption	Change in assumption	Indicative effect on scheme liabilities
Discount rate	Increase / decrease by 0.5%	Decrease / increase by 10%
Rate of inflation	Increase / decrease by 0.5%	Increase / decrease by 6%
Longevity	Increase by 1 year	Increase by 3%

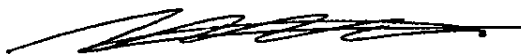
Current Trading and Outlook

Current trading remains encouraging with successful growth over the year. We have actively and comprehensively reviewed all of our sectors and clients within the context of the current UK economic prospects. This exercise has led us to maintain confidence in many of our sectors which enjoy long term frameworks and plan to accelerate investment in the business development areas of energy, environmental services, cost management and nuclear decommissioning. We believe these activities to be capable of withstanding changes in the UK market.

People and Culture

We have further developed our client centric ethos and core values at all levels of our business during the year. This we see as an essential attribute to ensure the maximum referral of work from existing clients as well as attracting new business.

Our people remain at the heart of our business since it is their skills and passion which deliver the outstanding solutions for our clients. Leadership and performance management, development and training have therefore been major themes of the past year to assist our directors and managers in achieving their personal maximum potential and to get the best from their teams.



Alan Proctor
Chairman

26 September 2008

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 2008 on pages 11 to 32

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 3

Results

The profit on ordinary activities before taxation amounted to £7.3m (2007: £9.9m). The profit after tax was £6.3m (2007: £7.5m). The Directors do not recommend payment of a dividend (2007: £nil).

Key performance indicators and principal risks and uncertainties

Financial KPI's are disclosed in the Chairman's Review. For full KPI disclosure and the principal risks and uncertainties the Company is exposed to please refer to our Parent Company Hyder Consulting PLC's annual report.

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 headings. 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. Overall interest rate management is administered by the Hyder Consulting Group 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' report

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

Director	Hyder Consulting PLC At 31 March 2008	Hyder Consulting PLC At 31 March 2007
	Ordinary Shares of 10p	Ordinary Shares of 10p
AJ Proctor	456,740	726,441
NM Hempstead	684	2,434
TT Sparkes	1,808	1,808
AA McGuire	-	-
NR Kemble	-	3,430
CJ Evans	30	30
MJ Clarke	-	-

During the year ending 31 March 2008, no shares were received or receivable by any of the Directors under the Hyder Consulting PLC Long term incentive plan

At 31 March 2008 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	1,500	87 5 p	June 2006 and June 2013
	3 August 2004	1,000	139 5 p	August 2007 and August 2014
TT Sparkes	19 June 2003	5,000	87 5p	June 2006 and June 2013
	3 August 2004	5,000	139 5p	August 2007 and August 2014
	9 June 2005	10,000	194 0p	June 2008 and June 2015
AA McGuire	30 June 2006	5,000	256 3 p	June 2009 and June 2016
	15 June 2007	7,000	525 0 p	June 2010 and June 2017
NR Kemble	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
	15 June 2007	7,000	525 0 p	June 2010 and June 2017
CJ Evans	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
	9 June 2005	10,000	194 0 p	June 2008 and June 2015
MJ Clarke	15 June 2007	3,500	525 0 p	June 2010 and June 2017

No share options were exercised by any director of the Company during the period ending 31 March 2008

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

Directors' report

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 34 days (2007: 33 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, 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.

Employees are consulted 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 £11,626 (2007: £3,630). Included within this figure were donations of £10,000 to the Animals in War Memorial Fund and £796 to Water Aid.

Post Balance Sheet event

The main rate of UK Corporation Tax has been reduced from 30% to 28% with effect from 1 April 2008. In accordance with FRS 19, a rate of 28% has been used as a basis for the calculation of the deferred income taxes stated in these financial statements.

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.

Directors' report

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

By order of the Board



Neil Hunt
Company Secretary

26 September 2008

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



Neil Hunt
Company Secretary

26 September 2008

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 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movement in Shareholders Funds 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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 only the Directors' Report and the Chairman's Statement. 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.

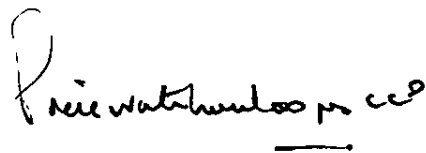
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2008 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
Chartered Accountants and Registered Auditors
Bristol

26 September 2008

Profit and loss account for the year ended 31 March 2008

	Note	2008 £'000	As restated 2007 £'000
Turnover	1	105,026	98,897
Operating costs before exceptional items		(97,149)	(93,516)
Exceptional items	3	-	5,679
Net operating costs	2	(97,149)	(87,837)
Operating profit		7,877	11,060
Interest receivable		774	42
Interest payable	5	(1,333)	(1,233)
Profit on ordinary activities before taxation		7,318	9,869
Taxation	6	(1,045)	(2,420)
Retained profit for the year	17	6,273	7,449

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 2008

	2008 £'000	As restated 2007 £'000
Profit for the financial year	6,273	7,449
Actuarial gain/(loss) on pension scheme	5,608	(114)
Decrease in value of scheme assets	-	(200)
Deferred tax on actuarial (gain)/loss	(1,682)	99
Deferred tax rate change	(662)	-
Foreign currency translation	(45)	36
Total recognised gains for the year	9,492	7,270

Reconciliation of movements in shareholders' funds for the year ended 31 March 2008

	2008 £'000	As restated 2007 £'000
Profit for the financial year	6,273	7,449
Actuarial gain/(loss) on pension scheme	5,608	(114)
Decrease in value of scheme assets	-	(200)
Deferred tax on actuarial (gain)/ loss	(1,682)	99
Deferred tax rate change	(662)	-
Foreign currency translation	(45)	36
Net increase in shareholders' funds	9,492	7,270
Opening shareholders' funds as previously reported	(6,554)	(13,824)
Closing shareholders' funds	2,938	(6,554)

Balance sheet as at 31 March 2008

		2008	As restated 2007
	Note	£'000	£'000
Fixed assets			
Intangible assets	7	6,872	6,872
Tangible assets	8	2,586	2,833
Investments	9	5,905	2,720
		15,363	12,425
Current assets			
Debtors	10	34,981	34,909
Cash at bank and in hand		1,464	1,353
		36,445	36,262
Current liabilities			
Creditors' amounts falling due within one year	12a	(22,120)	(24,070)
Net current assets		14,325	12,192
Total assets less current liabilities		29,688	24,617
Creditors' amounts falling due after more than one year	12b	(7,815)	(5,306)
Provisions for liabilities and charges	15	(900)	(940)
Net assets excluding pension deficit		20,973	18,371
Pension liability	19	(18,035)	(24,925)
Net assets/(liabilities) including pension deficit		2,938	(6,554)
Capital and reserves			
Called up share capital	16	11,091	11,091
Profit and loss reserve	17	(8,153)	(17,645)
Total equity shareholders' funds		2,938	(6,554)

The financial statements on pages 11 to 32 were approved by the Board of Directors and were signed on its behalf by



Michael Clarke
Finance Director

26 September 2008

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

In accordance with FRS 18 the board regularly reviews the Company's accounting policies to ensure they remain the most appropriate.

The Company has adopted early the amendment to FRS 17 Retirement benefits. As a result of this quoted securities held as plan assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

The adoption of the early amendment to FRS 17 has resulted in the starting deficit position for the year ending 31 March 2007 decreasing by £0.2m due to the difference in asset valuation. This difference was initially recorded as additional actuarial loss through underperformance of the assets in the accounts for the year ending 31 March 2007. In order to comply with the full disclosure requirements of the amendment to FRS 17 in the accounts for the year ending 31 March 2008 the comparative figures for March 2007 have been restated accordingly.

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 2008 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.

Principal accounting policies

Goodwill

Purchased goodwill represents the excess of the fair value of consideration payable over the fair value of the identifiable assets and liabilities acquired

Goodwill in respect of acquisitions made is shown as an asset and, in accordance with FRS 10 Intangible assets and goodwill, each acquisition is assessed to determine the useful economic life of the business and goodwill. Where it is considered that the value of the business or goodwill has a measurable economic life, any related goodwill would be amortised through the profit and loss account by equal instalments over such life. In this context, the useful economic life of the businesses and goodwill are reviewed annually and revised where appropriate. In the event that the useful economic life does not exceed 20 years, goodwill would be subject to an impairment review at the end of the year of acquisition and at any other time when the Directors believe that impairment may have occurred.

FRS 10 permits goodwill to be assigned an indefinite life and consequently not be amortised, provided that the durability of the related businesses can be demonstrated to justify such a life. The Board believes the businesses acquired to date meet the durability criteria set out in the standard.

The durability of our business and the businesses that we have acquired is characterised by factors such as the stability of the sector, high sustainable demand and high barriers to entry.

The nature of our acquired businesses, the markets in which they and we operate and the synergy benefits that occur from adding the acquired business' coverage to those of the existing Group, mean that the consolidated goodwill should have an indefinite economic life providing that we continue to run the business as effectively as we have in the past.

In these special circumstances, it is the economic consequences of acquisition that drive value rather than individually what has been acquired. As a result, there is no individual aspect of the acquisition that will diminish over time. Therefore, arbitrarily amortising goodwill would not reflect the economics of the business. Where the goodwill is assigned a useful economic life that is in excess of 20 years or is indefinite, the value of the relevant businesses and goodwill is assessed for impairment against carrying values on an annual basis in accordance with FRS 11 Impairment of fixed assets and goodwill. Any impairment is charged to the profit and loss account in the financial year of which it arises.

The Company has acquired a number of businesses as detailed in notes 7 and 9. The Directors have reviewed these acquisitions and consider that the businesses and associated goodwill have an indefinite useful economic life and the goodwill is therefore not being amortised.

This treatment represents a departure from the requirements of the Companies Act 1985, which does not permit an indefinite useful economic life. The departure is, however, in the opinion of the Directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards. If the goodwill were amortised over a 20-year period, the profit before tax for the year ended 31 March 2008 would be reduced by £344,000 (2007: £243,000), with a corresponding reduction in reserves and intangible assets. The cumulative amount that would have been written off against reserves is £741,000.

Principal accounting policies

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.

Principal accounting policies

For defined benefit schemes, the obligation is calculated by independent actuaries using the Projected Unit Method. Actuarial gains and losses, which represent differences between the expected and actual return on the plan assets and the effect of changes in the actuarial assumptions, are recognised in full in the 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 the closing and average rates of exchange respectively. 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 for the average period of the lease is 5.5%.

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 or less, are not provided for. The amounts provided against specific indemnity claims are necessarily judgemental and are revised regularly in the light of known circumstances.

Notes to the financial statements

1. Segmental analysis by geographical area by destination/origin

(a) Turnover by destination

	2008 £'000	2007 £'000
United Kingdom and rest of Europe	102,367	95,352
Far East	-	-
Rest of the world	296	373
Total to third parties	102,663	95,725
Total to fellow subsidiary undertakings	2,363	3,172
	105,026	98,897

(b) Turnover by origin

	2008 £'000	2007 £'000
United Kingdom and rest of Europe	102,663	95,725
Far East	-	-
Rest of the world	-	-
Total to third parties	102,663	95,725
Total to fellow subsidiary undertakings	2,363	3,172
	105,026	98,897

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

Notes to the financial statements

2. Net operating costs

The following expenses have been included in arriving at operating profit

	2008 £'000	2007 £'000
Continuing operations:		
Staff costs (Note 4c)	60,635	53,558
Depreciation		
Own assets	447	598
Assets held under finance leases	1,012	875
Rentals under operating leases		
Land and buildings	2,110	1,883
Vehicles and equipment	1,819	1,652
AGPS Pension settlements and curtailments (Note 3)	(180)	(5,095)
Other operating charges	31,914	33,970
Exchange differences	(602)	394
(Gain)/Loss on disposal of fixed assets	(6)	2
Net operating costs	97,149	87,837

Services provided by the Company's auditor and network firms

During the year, the following services were obtained from the Company's auditor as detailed below

	2008 £'000	2007 £'000
Fees payable for the audit of the Company	63	65
Fees payable to the Company's auditor and its associates for other Services		
Tax services		
- Compliance services	11	32
- Advisory services	3	29
Other services not covered above	-	4
	77	130

Other services include one off projects

Notes to the financial statements

3. Exceptional Items

Following the implementation of a pensionable salary freeze and an offer to deferred members to transfer out of the Acer Group Pension Scheme, enhanced by an incentive payment from the Company, a saving against the FRS 17 deficit of £0.35m (2007 £6.6m) has been recognised. After the incentive payment and professional fees a pre-tax gain of £0.18m (2007 £5.1m) has been disclosed. In addition, an amount of £0.6m was released in 2007 from the vacant property provision following an extension to the sub lease. The AGPS net gain for the year ending 31 March 2008 is not considered material for separate disclosure as an exceptional item on the face of the Profit and Loss.

4 Directors and employees

(a) Directors' remuneration

	2008 £'000	2007 £'000
Aggregate emoluments (including benefits in kind)	804	480
Contributions to defined contribution schemes	48	19
Contributions to defined benefit schemes	61	60

Retirement benefits are accruing to 3 directors (2007: 4) under a defined benefit scheme.

Retirement benefits are accruing to 3 directors (2007: 3) under a defined contribution scheme.

(b) Highest paid Director

	2008 £'000	2007 £'000
Aggregate emoluments (including benefits in kind and excluding gains on shares and options)	193	99
Defined benefit pension schemes	-	-
Accrued pension at end of year	-	-

(c) Staff costs (including Directors)

	2008 £'000	2007 £'000
Wages and salaries	51,244	45,006
Social security costs	5,124	4,231
Pension costs (Note 19)	4,173	4,242
Share based payment expense	94	79
	60,635	53,558

All share based payments have been awarded by our Parent Company, Hyder Consulting PLC and recharged in full to Hyder Consulting (UK) Ltd. For full disclosure of the Executive Share Option Scheme and the Long Term Incentive Plan please refer to the accounts of Hyder Consulting PLC.

Notes to the financial statements

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

	2008 Number	2007 Number
Technical	1,463	1,316
Administration	154	239
	1,617	1,555

5. Interest payable

	2008 £'000	As restated 2007 £'000
On bank loans and overdrafts	896	232
On finance leases	117	150
Other interest	169	232
Unwinding of discounts in provisions (Note 15)	29	91
Unwinding of discounts in deferred and contingent consideration	122	103
Net finance cost on pension liabilities (Note 19)	-	425
	1,333	1,233

Notes to the financial statements

6. Taxation

	2008 £'000	2007 £'000
Current Tax		
UK Corporation tax on profit for the period	1,079	267
Adjustment in respect of previous period	(1,106)	(263)
Double taxation relief	(438)	(273)
Overseas tax	306	695
Current year tax (credit)/charge	(159)	426
Deferred taxation		
Origination and reversal of timing differences	1,464	1,994
Impact of change in UK tax rate	(260)	-
Deferred tax charge	1,204	1,994
Tax on profit on ordinary activities	1,045	2,420
Reconciliation of current year tax charge:		
Profit on ordinary activities before tax	7,318	9,869
Expected tax charge at 30% of profit before tax	2,195	2,965
Expenses not deductible for tax purposes	20	257
Payment for group relief	695	-
Overseas tax	(132)	422
Other timing differences	(1,831)	(2,955)
Adjustment in respect of previous period	(1,106)	(263)
Current year tax (credit)/charge	(159)	426

The total tax charge of £1.0m (2007: £2.4m) amounts to 14% of profit before tax (2007: 25%). The current low rate reflects adjustments in respect of prior periods and Research and Development tax credits.

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.

As a result of the change in the standard rate of corporation tax in the UK from 30% to 28% effective from 1 April 2008, deferred tax balances have been recalculated at this rate.

Notes to the financial statements

7. Intangible fixed assets

	Purchased Goodwill £'000
Cost and Net Book Value	
At 1 April 2007 (restated) and 31 March 2008	<u>6,872</u>

The restatement of the balance as at 1 April 2007 represents the excess of the carrying value of the investments over the net asset values of the subsidiaries on the date of the hive up into Hyder Consulting (UK) Limited in prior periods (see Note 9)

The Directors have reviewed these acquisitions along with the Company's underlying business and, in accordance with the policy described in the principle accounting policies, consider that these businesses and associated goodwill have an indefinite useful economic life and consequently the goodwill is not being amortised

Notes to the financial statements

8. Tangible fixed assets

	Leasehold properties and improvements £'000	Vehicles, plant, equipment, computer hardware & software £'000	Total £'000
Cost or valuation			
At 1 April 2007	1,340	10,629	11,969
Additions at cost	36	1,177	1,213
Disposals	-	(67)	(67)
At 31 March 2008	1,376	11,739	13,115
Accumulated depreciation			
At 1 April 2007	748	8,388	9,136
Charge for year	184	1,275	1,459
Disposals	-	(66)	(66)
At 31 March 2008	932	9,597	10,529
Net book value			
At 31 March 2008	444	2,142	2,586
At 31 March 2007	592	2,241	2,833

Included within the net book value is an amount of £1,412,721 related to assets held under finance leases (2007 £1,593,624) Within the depreciation charge for the year £1,012,112 relates to assets held under finance leases (2007 £953,163) All leasehold properties are held on short term leases

Notes to the financial statements

9. 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 2007	9,592	64	244	9,900
Additions	3,185	-	-	3,185
At 31 March 2008	12,777	64	244	13,085
Amounts transferred/provided				
At 1 April 2007 (restated) and at 31 March 2008	6,872	64	244	7,180
Net book value at 31 March 2008	5,905	-	-	5,905
Net book value at 31 March 2007 (restated)	2,720	-	-	2,720

Hyder Consulting (UK) Limited purchased the entire share capital of RPA Quantity Surveyors Limited on 24 April 2007 for a maximum purchase consideration of £3.2m

With the exception of RPA Quantity Surveyors Limited, all of the key subsidiaries listed below are classified as dormant following the transfer of trade and assets in prior periods. The restatement reflects the transfer of value from investments to intangible assets (see Note 7)

Key Subsidiaries

Name	Country of incorporation, registration and operation	Direct Shareholding %
Ashact Limited	England and Wales	100
Marcus Hodges Environment Limited	England and Wales	100
Livic Limited (t/a Bettridge, Turner and Partners)	England and Wales	100
Cresswell Associates (Environmental Consultants) Limited	England and Wales	100
RPA Quantity Surveyors Limited	England and Wales	100

Joint ventures

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

Notes to the financial statements

10 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Trade debtors	23,243	20,516
Amounts recoverable on contracts	6,957	10,124
Amounts owed by parent company and fellow subsidiary undertakings	2,106	1,815
Corporation tax	695	245
Other debtors	129	225
Prepayments and accrued income	1,128	989
	34,258	33,914
Amounts falling due after more than one year:		
Deferred tax asset (Note 11)	502	780
Prepayments and accrued income	221	215
	34,981	34,909

11. Deferred tax asset

	2008 £'000	2007 £'000
At 1 April 2007	780	713
Credited to profit and loss account		
Origination and reversal of timing differences	(242)	67
Impact of change in UK tax rate	(36)	-
At 31 March 2008	502	780
Comprising		
Accelerated capital allowances	388	521
Other timing differences	114	259
	502	780

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets only where it is probable that these assets will be recovered in the foreseeable future

A deferred tax asset has been recognised in respect of the defined benefit pension scheme deficit, based on the future taxable profits of the UK business (please refer to Note 19 Pension schemes)

Deferred tax assets of £1 3m (2007 £1 6m) have not been recognised

Notes to the financial statements

12 Creditors

(a) Amounts falling due within one year

	2008 £'000	2007 £'000
Overdrafts & bank loans	3,846	301
Payments received on account of contracts	1,258	4,758
Trade creditors	3,844	4,378
Amounts owed to parent and fellow subsidiary undertakings	3,837	3,167
Other taxation and social security	4,068	3,921
Other creditors	1,711	4,068
Accruals and deferred income	2,127	2,261
Obligations under finance leases (Note 13)	861	913
Deferred and contingent consideration	568	303
	22,120	24,070

(b) Amounts falling due after more than one year

	2008 £'000	2007 £'000
Overdrafts & bank loans	6,087	3,581
Obligations under finance leases (Note 13)	568	704
Deferred and contingent consideration	1,160	1,021
	7,815	5,306

At 31 March 2008 the company has total borrowings of £9.9m (2007 £3.9m). This figure comprises an overdraft of £3.5m and unsecured loans of £6.4m (2007 £3.8m). The main loan of £6.3m has a floating interest rate and is utilized for the purpose of funding special contributions and incentive payments to members of the AGPS. £4.2m of the loan falls due for repayment after five years. The remaining balance of £0.1m (2007 £0.1m) relates to a fixed rate loan, expiring September 2009, for the purchase of computer software.

(c) Maturity of financial liabilities

	2008 £'000	2007 £'000
Overdrafts & bank loans payable as follows		
In one year or less, or on demand	3,846	301
In more than one year, but not more than two years	439	304
In more than two years, but not more than five years	1,445	807
In more than five years	4,203	2,470
	9,933	3,882

13. Obligations under finance leases

	2008 £'000	2007 £'000
Amounts due are payable as follows		
Within one year	861	913
Between one and two years	455	569
Between two and five years	113	135
	1,429	1,617

Notes to the financial statements

14 Leasing commitments

At 31 March 2008 the Company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings		Others	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Within one year	166	18	199	262
Between two and five years	251	496	1,268	1,049
After more than five years	1,694	1,406	-	-
	2,111	1,920	1,467	1,311

15. Provisions for liabilities and charges

	Note	At 1 April 2007	Charged/ (Released) to profit and loss account	Utilised in year	Unwinding of discount	At 31 March 2008
		£'000	£'000	£'000	£'000	£'000
Professional indemnity insurance excesses	(a)	336	164	-	-	500
Vacant property	(b)	604	(200)	(33)	29	400
		940	(36)	(33)	29	900

(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

	2008	2007
	£'000	£'000
Authorised:		
11,091,000 Ordinary shares of £1 each (2007 11,091,000)	11,091	11,091
Allotted, called up and fully paid:		
11,091,000 Ordinary shares of £1 each (2007 11,091,000)	11,091	11,091

Notes to the financial statements

17. Profit and loss reserve

	£'000
At 1 April 2007	(17,645)
Retained profit for the financial year	6,273
Actuarial gain on pension scheme	5,608
Deferred tax on actuarial gain	(1,682)
Deferred tax rate change	(662)
Foreign currency translation	(45)
At 31 March 2008	(8,153)
Net Pension deficit (Note 19)	18,035
Profit and loss reserve excluding pension deficit	9,882

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 assets of each pension scheme are held separately from the assets of the Company and are administered by trustees. The principal scheme in the UK is the Acer Group Pension Scheme (AGPS), which is a defined benefit scheme. The company also operates a Defined Contribution scheme, the Hyder Consulting (UK) Limited Group Personal Pension Plan. During the year £2,654,483 (2007 £2,062,025) contributions were made to the defined contribution scheme and at 31 March 2008 there were outstanding contributions to this scheme of £224,785 (2007 £199,274).

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 project unit method. For this purpose the main actuarial assumptions used are based upon a discount rate of 6.2% (2007 5.3%) per annum, investment return of 6.9% (2007 6.9%) per annum, pay growth and inflationary increases of 3.6% (2007 3.2%) per annum, and increases to pensions in payment of 3.00% (2007 2.95%), 3.6% (2007 3.2%) and 2.5% (2007 2.5%) per annum for increases in line with the RPI capped at 3%, 5% and 2.5% respectively, which were the assumptions used for the most recent valuation of the AGPS. The overall assumption for the expected rate of return on the assets for the year starting 1 April 2008 is 7.5% (2007 7.5%) per annum.

A full actuarial valuation of the AGPS was carried out as at 1 April 2005 and updated to 31 March 2008 by a qualified independent actuary. The contributions made to the scheme in the accounting period were £5,644,000 (2007 £5,822,000), including a £2m (2007 £2m) special contribution funded through an unsecured loan facility. 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 mortality assumptions used for the AGPS at 31 March 2008 have been updated based on more recent set of data tables and the socio-economic characteristics of the Scheme. The net effect of the change in the base table and projection methodology is to increase the life expectancy assumption by approximately three years and to increase the liabilities by £13.1m.

Actuarial gains of £15.3m reduced the scheme's liabilities following changes in assumptions referred to above. In addition the return on the scheme's assets was higher than expected by £3.4m resulting in a further actuarial gain being reflected in the Statement of Total Recognised Gains and Losses.

Audit fees for the pension scheme amounted to £17,000 for the year (2007 £10,000).

Notes to the financial statements

The key assumptions and the sensitivities of the AGPS liabilities to changes in these assumptions are shown below

Assumption	Change in assumption	Indicative effect on scheme liabilities
Discount rate	Increase / decrease by 0.5%	Decrease / increase by 10%
Rate of inflation	Increase / decrease by 0.5%	Increase / decrease by 6%
Longevity	Increase by 1 year	Increase by 3%

The key assumptions used are as follows

	At 31 March 2008	At 31 March 2007
	% per annum	% per annum
Rate of increase of salaries	3.60	3.20
Rate of increase of pensions in payment and deferred pensions	3.60	3.20
Discount rate	6.20	5.30
Inflation assumption	3.60	3.20
Longevity at age 65 for current pensioners		
- Males	21.9 years	18.5 years
- Females	23.8 years	21.5 years
Longevity at age 65 for future pensioners		
- Males currently aged 45	23.8 years	19.4 years
- Females currently aged 45	25.7 years	22.4 years

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

	Long term rate of return expected at 31 March 2008 % per annum	Value at 31 March 2008 £'000	Long term rate of return expected at 31 March 2007 % per annum	Value at 31 March 2007 £'000	Long term rate of return expected at 31 March 2006 % per annum	As restated Value at 31 March 2006 £'000
Equities	8.30	61,032	8.30	53,941	8.00	51,016
Bonds	5.50	26,063	5.50	21,621	5.20	18,838
Other	5.25	435	5.25	1,692	4.50	5,761
Total market value of assets		87,530		77,254		75,415
Present value of scheme liabilities		(110,011)		(109,924)		(117,700)
Deficit in the scheme		(22,481)		(32,670)		(42,285)
Present value of unfunded liabilities		(678)		(650)		(799)
Pension deficit		(23,159)		(33,320)		(43,084)
Related deferred tax asset		5,124		8,395		10,417
Net pension deficit		(18,035)		(24,925)		(32,727)

The equity investments and bonds held in scheme assets are quoted and are valued at the current bid price following the adoption of the amendment to FRS 17, previously these were valued at mid price. The effect of this change is that the market value of scheme assets at 31 March 2006 has been restated from £75.6m to £75.4m a decrease of £0.2m. Hyder Consulting UK Ltd has elected not to restate asset valuation amounts for 2005 and 2004 as permitted by amendment to FRS 17.

Notes to the financial statements

	2008	As restated 2007
	£'000	£'000
Movement in the present value of the scheme obligations		
At 1 April 2007	110,574	118,499
Current service costs	1,519	2,180
Interest on pension scheme liabilities	5,778	5,665
Curtailments	-	(4,000)
Settlements	(350)	(2,587)
Actuarial gain	(2,160)	(2,095)
Contributions by scheme participants	226	243
Benefits paid from plan	(4,898)	(7,331)
At 31 March 2008	110,689	110,574

	2008	As restated 2007
	£'000	£'000
Movement in the present value of the scheme assets		
At 1 April 2007	77,254	75,415
Expected return on scheme assets	5,793	5,240
Actuarial gain/(loss)	3,448	(2,209)
Contributions from Employers	5,707	5,896
Contributions by scheme participants	226	243
Benefits paid from plan	(4,898)	(7,331)
At 31 March 2008	87,530	77,254

	2008	2007
	£'000	£'000
Analysis of the amount (charged)/credited to operating profit		
Current service cost	(1,519)	(2,180)
Settlements / curtailments	350	6,587
Total operating (cost)/income	(1,169)	4,407

	2008	As restated 2007
	£'000	£'000
Analysis of the amount credited/(charged) to other finance income		
Interest on pension scheme liabilities	(5,778)	(5,665)
Expected return on pension scheme assets	5,793	5,240
Net income/(expense)	15	(425)

	2008	As restated 2007
	£'000	£'000
Analysis of amount recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	3,448	(2,209)
Experience gains and losses arising on the scheme liabilities	2,160	2,095
Actuarial gain/(loss)	5,608	(114)

Notes to the financial statements

	2008	As restated 2007	As restated 2006	2005	2004
History of experience gains and losses					
Difference between the expected and actual return on scheme assets					
Amount (£m)	3.4	(2.2)	5.2	1.2	5.0
Percentage of scheme assets	4%	(3%)	7%	2%	8%
Experience of gains and losses on scheme liabilities					
Amount (£m)	2.2	2.1	(15.0)	(7.6)	(3.7)
Percentage of the present value of the scheme liabilities	2%	2%	(13%)	(8%)	(4%)
Cumulative amount recognised in statement of total recognised gains and losses					
Amount (£m)	(9.4)	(15.0)	(14.9)	(5.1)	1.3

The estimated amount of contributions expected to be paid into the AGPS during the year ended 31 March 2009 is £3.7m (2007: £5.7m)

Notes

- (1) At the date of the last funding valuation (1 April 2005), the scheme held assets to the value of £64m. 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.
- (3) The funding valuation of the AGPS at 1 April 2008 is currently in progress.

19. Contingent liabilities

The Directors estimate that at 31 March 2008 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 £3,343,000 (2007: £3,063,000). 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 2008 totalled £770,919 (2007: £1,627,597). The Directors do not consider any provision is necessary in respect of these amounts.

20. 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.

21. 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.