

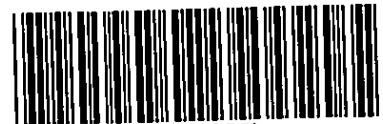
HALCROW INTERNATIONAL PARTNERSHIP
(a private unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

5 Months to 31 December 2011

REGISTERED NUMBER: 02809680

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HALCROW INTERNATIONAL PARTNERSHIP
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
5 Months to 31 December 2011

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HALCROW INTERNATIONAL PARTNERSHIP
DIRECTORS' REPORT
5 Months to 31 December 2011

The directors present their annual report on the affairs of the company, together with the audited financial statements for the period ended 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the company is the supply of services as consulting engineers in the Middle East

The company trades as a supplier of services and consulting engineers

The company is a private unlimited company

On 10 November 2011, CH2M Hill Companies Limited, a US-based engineering consulting group acquired 100% of the share capital of Halcrow Holdings Limited and therefore became the ultimate parent of the Company

COMPANY RESULT

In the 5 months to 31 December 2011, the company made a loss of £2,163,032 In the 7 months to 31 July 2011 it made a profit of £3,841,742

DIRECTORS

The following served as directors of the company during the period under review and to the date of this report

I McLennan (resigned 10 January 2012)

P G Gammie (resigned 30 November 2011)

A J F Coates (appointed 25 November 2011)

S E Harrington (appointed 21 September 2012)

S Mathews (appointed 2 November 2012)

HALCROW INTERNATIONAL PARTNERSHIP
DIRECTORS' REPORT
5 Months to 31 December 2011
(Continued)

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006

During the period, the Company's previous auditor, Deloitte, determined that it would not seek reappointment. Following the Company's acquisition by CH2M Hill Europe, KPMG LLP were appointed auditor to the Company. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on
its behalf by



G Roberts
Secretary
14 January 2013

Registered office
Elms House
43 Brook Green
London W6 7EF
United Kingdom

Registered Number
02809680

HALCROW INTERNATIONAL PARTNERSHIP
DIRECTORS' RESPONSIBILITIES STATEMENT
5 Months to 31 December 2011

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HALCROW INTERNATIONAL PARTNERSHIP

We have audited the financial statements of Halcrow International Partnership for the 5 months to 31 December 2011 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HALCROW INTERNATIONAL PARTNERSHIP
(Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL
14 January 2013

HALCROW INTERNATIONAL PARTNERSHIP
PROFIT AND LOSS ACCOUNT
5 Months to 31 December 2011

| | Notes | <u>5 Months to 31 December 2011</u> £ | <u>7 Months to 31 July 2011</u> £ |
|--|-------|--|--|
| Turnover | 2 | 9,456,781 | 20,970,613 |
| Cost of sales | | <u>(4,773,206)</u> | <u>(9,329,183)</u> |
| Gross profit | | 4,683,575 | 11,641,430 |
| Administrative expenses | | <u>(6,872,398)</u> | <u>(7,793,606)</u> |
| Operating (loss) / profit | 3 | (2,188,823) | 3,847,824 |
| Interest receivable and similar income | | 25,791 | - |
| Interest payable and similar charges | | <u>-</u> | <u>(6,082)</u> |
| (Loss) / Profit on ordinary activities before taxation | | (2,163,032) | 3,841,742 |
| Tax on profit on ordinary activities | 5 | <u>-</u> | <u>-</u> |
| (Loss) / Profit for the period after taxation | 11,12 | <u><u>(2,163,032)</u></u> | <u><u>3,841,742</u></u> |

All items dealt with in the above profit and loss account relate to continuing operations

Notes on pages 9 to 17 form part of these financial statements

HALCROW INTERNATIONAL PARTNERSHIP
BALANCE SHEET AT 31 DECEMBER 2011

| | Note | 31 December 2011 £ | 31 July 2011 £ |
|---|------|---------------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible fixed assets | 6 | 1,045,475 | 1,040,518 |
| CURRENT ASSETS | | | |
| Debtors amounts falling due within one year | 7 | 33,072,084 | 38,380,308 |
| Cash at bank and in hand | | <u>20,731</u> | <u>297,800</u> |
| | | 33,092,815 | 38,678,108 |
| CREDITORS amounts falling due within one year | 8 | <u>(26,675,273)</u> | <u>(29,884,278)</u> |
| NET CURRENT ASSETS | | <u>6,417,542</u> | <u>8,793,830</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 7,463,017 | 9,834,348 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 9 | <u>(101,183)</u> | <u>(2,054,896)</u> |
| NET ASSETS (excluding pension liability) | | 7,361,834 | 7,779,452 |
| Pension Liability | 16 | <u>(8,825,300)</u> | <u>(6,082,412)</u> |
| NET (LIABILITIES) / ASSETS | | <u><u>(1,463,466)</u></u> | <u><u>1,697,040</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 10 | 50,000 | 50,000 |
| Profit and loss account | 11 | <u>(1,513,466)</u> | <u>1,647,040</u> |
| SHAREHOLDERS' FUNDS | | <u><u>(1,463,466)</u></u> | <u><u>1,697,040</u></u> |

The financial statements of Halcrow International Partnership, registered number 02809680 were approved by the Board of Directors and authorised for issue on 14 January 2013. They were signed on its behalf by

Notes on pages 9 to 17 form part of these financial statements



S E Harrington
Director

HALCROW INTERNATIONAL PARTNERSHIP
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011

| | Notes | <u>2011</u> £'000 | <u>2010</u> £'000 |
|---|-------|---------------------------|-------------------------|
| (Loss) / Profit for the year after taxation | | (2,163,032) | 3,841,742 |
| Actuarial loss relating to the pension scheme | | <u>(997,474)</u> | <u>(2,211,921)</u> |
| Total (losses)/gains recognised since last annual report and financial statements | | <u><u>(3,160,506)</u></u> | <u><u>1,629,821</u></u> |

HALCROW INTERNATIONAL PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
5 Months to 31 December 2011

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical convention in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the current and preceding period.

In accordance with FRS1 'Cash Flow Statements', the company is exempt from the requirements to prepare a cash flow statement as it is a subsidiary of Halcrow Holdings Limited, the consolidated financial statements of which are publicly available.

(b) Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. Accordingly, the financial statements continue to be prepared on a going concern basis.

(c) Turnover and recognition of profits

Turnover represents amounts earned for professional services and items procured for clients, adjusted, where necessary, for the stage of completion on individual contracts. It excludes value added and similar taxes.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

(d) Amounts recoverable on contracts

Amounts recoverable on contracts represent turnover and supply of services which has not yet been invoiced to clients. Such amounts are separately disclosed within debtors.

The valuation of amounts recoverable on fixed price contracts is adjusted to recognise profit earned to date, or foreseeable losses in accordance with the accounting policy for turnover and recognition of profits.

Cost comprises

- amounts recoverable valued at the cost of salaries and associated payroll expenses of employees engaged on projects
- unbilled expenses incurred and equipment purchased for clients in connection with specific contracts

Where amounts invoiced to clients exceed the book value of work done the excess is included in creditors as payments on account.

HALCROW INTERNATIONAL PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
5 Months to 31 December 2011
(Continued)

1 ACCOUNTING POLICIES (continued)

(e) Taxation

On 1 August 2011 Halcrow International Partnership opted into the Foreign Branch Exemption regime. This regime enforces the tax rate applicable in the resident territory, UAE, rather than the UK.

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Deferred tax is measured on a non-discounted basis. Timing differences arise from the inclusion of items in income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(f) Pensions

In the United Arab Emirates the company provides end of service benefit plans that pay out a defined level of benefit based on members the length of a member's service and salary. The plan is unfunded.

The scheme is accounted for in accordance with FRS17.

(g) Fixed Assets

Fixed assets are stated at cost less depreciation and impairment provisions. Impairment provisions are determined by comparing the carrying value of the asset with its recoverable amount. The recoverable amount is the higher of the amount that can be obtained from selling the asset or the value of expected discounted cash flows arising from owning the asset.

(h) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets is by equal annual instalments calculated to write off the cost less estimated residual value of each asset over its anticipated useful life.

The annual rate of depreciation applied to each class of tangible fixed asset is as follows:

| | |
|--------------------------|-----------------|
| Short leasehold property | Period of lease |
| Freehold land | Nil |
| Freehold property | 2% |
| Motor vehicles | 25% |
| Furniture and equipment | |
| Computers | 25% - 33% |
| Others | 20% |

HALCROW INTERNATIONAL PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
5 Months to 31 December 2011
(Continued)

1 ACCOUNTING POLICIES (continued)

(i) Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

2 TURNOVER

All of the company's turnover is derived from contracts in the Middle East and from the principal activity of the company, being consulting engineers.

3 OPERATING (LOSS) / PROFIT

| | <u>5 Months to 31</u> <u>December 2011</u> | <u>7 Months to 31</u> <u>July 2011</u> |
|--|---|---|
| | £ | £ |
| Operating (loss) / profit is stated after (crediting) / charging | | |
| Exchange (gain) / loss | (1,320,714) | 1,244,098 |
| Depreciation of tangible fixed assets | 354,805 | 645,225 |
| Gain on disposal of tangible fixed assets | <u>(56,384)</u> | <u>-</u> |

KPMG LLP's remuneration, as auditor, for the 5 months was £1,500. In 7 month period to 31 July 2012,, the Company paid £2,000 in respect of audit services. No other amounts were payable by the Company to its auditor for non audit services. In both 2011 and 2010, auditor remuneration has been borne by an intermediate parent undertaking, Halcrow Group Limited.

All directors were employed by either Halcrow Group Limited or its subsidiaries, and were remunerated by these companies. The directors' emoluments for the 5 months ended 31 December 2011 and 7 months to 31 July 2011 were charged in the relevant financial statements and the directors received no emoluments in respect of qualifying services from this company. The portion of remuneration relating to this company and that of the highest paid director was £25,034 (7 months to 31 July 2011 £34,304).

HALCROW INTERNATIONAL PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
5 Months to 31 December 2011
(Continued)

4 EMPLOYEE INFORMATION

| | <u>5 Months to 31</u> <u>December 2011</u> Number | <u>7 Months to 31</u> <u>July 2011</u> Number |
|---|---|---|
| (a) The average number of persons, including directors, employed by the company during the period was | | |
| Professional and technical | 452 | 507 |
| Administrative | 107 | 115 |
| | <u>559</u> | <u>622</u> |
| | <u>5 Months to 31</u> <u>December 2011</u> £ | <u>7 Months to 31</u> <u>July 2011</u> £ |
| (b) The aggregate payroll costs of these persons were as follows | | |
| Wages and salaries | 13,172,866 | 20,196,935 |
| Social security costs | 41,104 | 70,359 |
| Other pension costs | 74,541 | 165,926 |
| | <u>13,288,511</u> | <u>20,433,220</u> |

5 TAX (CREDIT) / CHARGE ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

| | <u>5 Months to 31</u> <u>December 2011</u> £ | <u>7 Months to 31</u> <u>July 2011</u> £ |
|------------------------------|--|--|
| Tax on profit for the period | <u>-</u> | <u>-</u> |

There were no unprovided deferred tax balances at 31 December 2011 (31 July 2011 £nil)

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 28% (7 months to 31 July 2011 26.85%) The actual tax charge for the current and the previous period exceeds the standard rate for the reasons set out in the following reconciliation

| | <u>5 Months to 31</u> <u>December 2011</u> £ | <u>7 Months to 31</u> <u>July 2011</u> £ |
|--|--|--|
| (Loss) / profit on ordinary activities before tax | <u>(2,163,032)</u> | <u>3,841,742</u> |
| Tax on (loss) / profit on ordinary activities at standard rate | (573,067) | 1,017,819 |
| Factors affecting charge for the period | | |
| Income not taxable for tax purposes | (1,007,491) | 1,789,396 |
| Capital allowances less than depreciation | 85,557 | (151,957) |
| Group relief | <u>1,495,001</u> | <u>(2,655,258)</u> |
| Total current tax | <u>-</u> | <u>-</u> |

HALCROW INTERNATIONAL PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
5 Months to 31 December 2011
(Continued)

| 6 | <u>TANGIBLE FIXED ASSETS</u> | <u>Plant and equipment</u> |
|----------|---|-----------------------------------|
| | | £ |
| | COST | |
| | 1 August 2011 | 3,801,720 |
| | Exchange movements | 496,950 |
| | Additions and transfers | 24,733 |
| | Value of cost upon transfer from associated company | - |
| | Disposals | <u>(178,504)</u> |
| | 31 December 2011 | <u>4,144,899</u> |
| | Depreciation | |
| | 1 August 2011 | 2,761,202 |
| | Exchange movements | 105,537 |
| | Charge for the period | 354,805 |
| | Value of accumulated depreciation upon transfer from associated company | - |
| | Disposals | <u>(122,120)</u> |
| | 31 December 2011 | <u>3,099,424</u> |
| | Net book value at 31 December 2011 | <u>1,045,475</u> |
| | Net book value at 31 July 2011 | <u>1,040,518</u> |
| 7 | <u>DEBTORS</u> | |
| | <u>31 December 2011</u> | <u>31 July 2011</u> |
| | £ | £ |
| | <u>Amounts falling due within one year</u> | |
| | Trade debtors | 30,524,670 |
| | Amounts recoverable on contracts | 6,805,394 |
| | Amounts owed by group undertakings | 118,717 |
| | Prepayments and accrued income | 494,340 |
| | Other debtors | <u>437,187</u> |
| | | <u>38,380,308</u> |
| | | <u>33,072,084</u> |

HALCROW INTERNATIONAL PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
5 Months to 31 December 2011
(Continued)

| | | | |
|----------|--|--------------------------------|----------------------------|
| 8 | <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u> | <u>31 December 2011</u> | <u>31 July 2011</u> |
| | | £ | £ |
| | Payments on account | 7,450,055 | 8,324,720 |
| | Bank overdraft | 309,432 | 219,704 |
| | Trade creditors | 407,639 | 43,334 |
| | Amounts owed to group undertakings | 15,473,876 | 19,142,721 |
| | Accruals and deferred income | 2,632,702 | 1,815,194 |
| | Other creditors | 401,569 | 338,605 |
| | | <u>26,675,273</u> | <u>29,884,278</u> |
| 9 | <u>PROVISIONS FOR LIABILITIES AND CHARGES</u> | <u>31 December 2011</u> | <u>31 July 2011</u> |
| | | £ | £ |
| | At the beginning of the period | 2,054,896 | - |
| | Charged during the period | <u>(1,953,713)</u> | <u>2,054,896</u> |
| | At the end of the period | <u>101,183</u> | <u>2,054,896</u> |

Provision is made in accordance with SSAP 9 for contracts whose expected contribution does not include a reasonable allocation of overheads. The provision will be utilised over the period of the related contracts.

HALCROW INTERNATIONAL PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
5 Months to 31 December 2011
(Continued)

| 10 <u>CALLED UP SHARE CAPITAL</u> | <u>31 December</u> <u>2011</u> | <u>31 July 2011</u> |
|---|---|--------------------------------|
| | £ | £ |
| Authorised | | |
| 1,000,000 ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |
| Called up, allotted and fully paid | | |
| 50,000 ordinary shares of £1 each | <u>50,000</u> | <u>50,000</u> |
| 11 <u>PROFIT AND LOSS ACCOUNT</u> | <u>31 December</u> <u>2011</u> | <u>31 July 2011</u> |
| | £ | £ |
| At beginning of the period | 1,647,040 | 17,219 |
| (Loss) / profit for the period | (2,163,032) | 3,841,742 |
| Actuarial loss relating to the pension scheme | <u>(997,474)</u> | <u>(2,211,921)</u> |
| At end of the period | <u>(1,513,466)</u> | <u>1,647,040</u> |
| 12 <u>RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S (DEFICIT) /FUNDS</u> | <u>31 December</u> <u>2011</u> | <u>31 July 2011</u> |
| | £ | £ |
| At beginning of the period | 1,697,040 | 67,219 |
| (Loss) / profit for the period | (2,163,032) | 3,841,742 |
| Actuarial loss relating to the pension scheme | <u>(997,474)</u> | <u>(2,211,921)</u> |
| At end of the period | <u>(1,463,466)</u> | <u>1,697,040</u> |

13 CONTINGENT LIABILITIES

The Company has no contingent liabilities. Up until November 2011, the Company had given the group's bankers a fixed and floating charge over its assets and entered into a multilateral guarantee as security for borrowing facilities granted to itself and other group undertakings. This facility was cancelled following the group's acquisition by CH2M Hill Companies Limited.

14 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Halcrow Group Limited. The smallest group in which the results of this company are consolidated is Halcrow Holdings Limited ("Halcrow"). Copies of the consolidated accounts of Halcrow may be obtained from the Company Secretary at Elms House, 43 Brook Green, London W6 7EF. Following the acquisition of Halcrow on 10 November 2011 by CH2M Hill Companies Limited ("CH2M Hill"), CH2M Hill became the ultimate parent undertaking and the results of the Company have been consolidated by CH2M Hill since acquisition. Copies of its financial statements are available on the Group's website ch2m.com.

15 RELATED PARTY TRANSACTIONS

There are no transactions or balances with any related party, including entities in the Halcrow Holdings Limited group of companies, which require disclosure under the terms of Financial Reporting Standard 8 (FRS 8). The company has applied the exemption in paragraph 3(c) of FRS 8.

HALCROW INTERNATIONAL PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
5 Months to 31 December 2011

16 PENSION COMMITMENTS

In the UAE the company provides end of service benefit plans that pay out a defined level of benefit based on members the length of a member's service and salary. The plan is unfunded.

The end of service plan in UAE is still open to new members.

The calculations for the end of service plan for UAE have been based on a valuation using full membership data at the census date. As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

The following table sets out the key FRS17 assumptions as at 31 December 2011 used for the schemes. 2011 is the first year that Halcrow International has disclosed the UAE plan under FRS17.

| Assumptions | <u>UAE</u> |
|-----------------------------|-------------------|
| Price inflation | n/a |
| Discount rate | 6.4% p.a. |
| Pension increases (fixed) | n/a |
| Pension increases (5% LPI) | n/a |
| Salary Growth (on average)* | 2.5% p.a. |

Life expectancy is not a feature of the UAE plan as these arrangements pay out lump sums to individuals on leaving service or retirement. The key demographic assumptions for these plans are turnover. UAE is assumed to have on average 5% p.a. turnover.

Expected return on assets

The arrangement in UAE is unfunded and thus no expected return on asset assumptions are required.

| <u>Components</u> | <u>31 December</u> | <u>31 July 2011</u> |
|---------------------------------------|---------------------------|----------------------------|
| | <u>2011</u> | <u>Fair Value</u> |
| | <u>Fair Value</u> | <u>(schemes in</u> |
| | <u>(schemes in</u> | <u>deficit)</u> |
| | <u>£000</u> | <u>£000</u> |
| Equities | - | - |
| Bonds | - | - |
| Property | - | - |
| Actively managed currency fund | - | - |
| Other | - | - |
| <u>Balance Sheet</u> | | |
| Total fair value of assets | - | - |
| Present value of liabilities | (8,825) | (6,082) |
| (Deficit)/surplus in the schemes | (8,825) | (6,082) |
| Employee share of deficit | - | - |
| Adjusted (Deficit)/surplus in schemes | (8,825) | (6,082) |
| Related deferred tax | - | - |
| Net pension (liabilities)/asset | (8,825) | (6,082) |

Under FRS17, the scheme is represented on the balance sheet as a net pension liability of £8,825,300.

HALCROW INTERNATIONAL PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

5 Months to 31 December 2011

16 PENSION COMMITMENTS (continued)

The scheme liabilities under FRS17 moved over the period as follows

| | <u>31 December</u> <u>2011</u> £000 | <u>31 July 2011</u> £000 |
|---|---|-----------------------------|
| Scheme liabilities at the beginning of the period | (6,082) | - |
| Current service cost | (1,746) | - |
| Transferred from creditors | - | (3,870) |
| Actuarial gain/(loss) | (997) | (2,212) |
| Benefits paid | - | - |
| Liabilities transferred through STRGL | - | - |
| Scheme liabilities at the end of the period | <u>(8,825)</u> | <u>(6,082)</u> |

The value of the pension scheme assets moved over the period as follows

| | <u>31 December</u> <u>2011</u> £000 | <u>31 July 2011</u> £000 |
|--|---|-----------------------------|
| Scheme assets at the beginning of the period | - | - |
| Expected return on plan assets | - | - |
| Contributions including those of employees | - | - |
| Actuarial gain/(loss) | - | - |
| Benefits paid | - | - |
| Assets transferred through STRGL | - | - |
| Scheme assets at the end of the period | <u>-</u> | <u>-</u> |

The following amounts have been included within operating profit under FRS17 in relation to the defined benefit schemes

| | <u>31 December</u> <u>2011</u> £000 | <u>31 July 2011</u> £000 |
|------------------------|---|-----------------------------|
| Current service cost | 1,746 | - |
| Employee contributions | - | - |
| Total operating charge | <u>1,746</u> | <u>-</u> |

The following amounts have been included as net finance (costs)/income under FRS17

| | <u>31 December</u> <u>2011</u> £000 | <u>31 July 2011</u> £000 |
|---|---|-----------------------------|
| Expected return on pension scheme assets | - | - |
| Interest on post-retirement liabilities | - | - |
| Net return to credit/(charge) to finance income/(costs) | <u>-</u> | <u>-</u> |

The history of assets, liabilities and deficits over the last 5 period ends is

| | <u>31-Dec-2011</u> £000 | <u>31-Jul-2011</u> £000 | <u>31-Dec-2010</u> £000 | <u>31-Dec-2009</u> £000 | <u>31-Dec-2008</u> £000 |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total fair value of assets | - | - | - | - | - |
| Present value of liabilities | (8,825) | (6,082) | - | - | - |
| (Deficit) / surplus in the schemes | <u>(8,825)</u> | <u>(6,082)</u> | <u>-</u> | <u>-</u> | <u>-</u> |