

HALCROW GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

REGISTERED NUMBER: 03415971



HALCROW GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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HALCROW GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

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

Principal Activity

The company trades as a supplier of services as consulting engineers

Trading Results

The trading results are set out in the profit and loss account on page 9 and are outlined in the business review below

Going Concern

The company's future performance is dependent upon the wider economic environment and this is likely to impact the level of work the company can secure

The directors consider the longer term outlook of the company is positive, and are optimistic that, together with the skills and resources of its new ultimate parent, CH2M HILL Companies, Ltd ("CH2M HILL"), the company's trading position can be improved

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements

Business Review

Halcrow experienced a disappointing 2011 as the effects of the global recession continued to impact results. Turnover declined from £330.5 million in 2010 to £238.2 million in 2011, a reduction of 28 per cent. A profit before taxation in 2010 of £16.6 million was reduced to a loss before taxation in 2011 of £71.3 million.

United Kingdom, Ireland and Europe - This region accounts for the majority of the business of the company, and it saw a decrease in turnover from £228.8 million to £203.9 million, a reduction of 11 per cent. Delays in commencement of projects were experienced and the state of the economy maintained high uncertainty about government spending on engineering consultancy. Despite the overall regional decrease, the proportion of turnover achieved in Europe, in comparison with the rest of the business, contributed to the region's increase of its proportionate share of the overall business from 69 per cent in 2010 to 86 per cent in 2011. Overheads were carefully monitored and controlled as the volume of business changed.

Middle East and Africa - The most significant reductions in turnover were reported in this region, where the levels of new work won continued to decline. Turnover decreased from £80.8 million in 2010 to £16.2 million in 2011, a reduction of 80 per cent. The region's proportion of the overall business accordingly decreased from 24 per cent in 2010 to 7 per cent in 2011 and a number of cost savings were implemented across the region to mitigate against the reduced volume of work.

HALCROW GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011
(continued)

Business Review (continued)

The Americas - Turnover remained fairly stable, despite the difficult world climate, moving from £10.9 million in 2010 to £9.0 million in 2011. Project work remained strong in certain areas of Latin America, with a ramp up of projects during the last quarter of the year.

Asia and Australasia - Turnover remained fairly stable, despite the difficult world climate, moving from £10.0 million in 2010 to £9.2 million in 2011.

The company began a re-organisation in April 2011. This involved a necessary reduction in employee numbers globally, incurring severance and reorganisation costs in the year of £2.1 million.

Onerous lease provisions of £1.2 million were required to be made in the year, relating to properties in the United Kingdom. Exceptional costs of £3.2 million were also incurred in respect of the sale of the group.

The principal risks and uncertainties facing the business include foreign exchange risk and risk resulting from the diverse geographical spread of the business. The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge these exposures.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Market and outlook

CH2M HILL's acquisition of Halcrow in late 2011 has resulted in financial and operational restructuring throughout 2012 to leverage the combined, conversant capabilities of both entities in strategic geographies, as well as stabilizing and integrating the Halcrow operations and further strengthening financial performance across the Halcrow group.

Although Halcrow's financial condition was disappointing at the time of the sale, the business' technical capabilities, geographic presence and ethical reputation outweighed its financial shortcomings. Its strategic attributes, added to CH2M HILL's financially strong and internationally capable project delivery platform, has positioned the company for future growth.

Halcrow has instituted CH2M HILL's global risk management programme across all operations. This included conducting a review of projects based on established CH2M HILL criteria, raising focus on high risk projects and launching established CH2M HILL processes for all project pursuits.

The combination of CH2M HILL and Halcrow lead to doubling the number of transport professionals to over 4,000 staff and bolstered the company's overall presence in Europe, Asia, Australia, the Middle East, North Africa, and Latin America. Halcrow complements CH2M HILL aviation, highways, ports and maritime, transit and rail sectors, among others, and it has expanded the combined tunneling expertise. Halcrow has also brought significant advisory background in public-private partnerships and asset management to the combined company.

In addition to this deepening of our transportation capability, Halcrow's water and environmental service offerings will be substantially augmented and enhanced in all of its markets by the integration of CH2M HILL's well established water and environmental services capability.

HALCROW GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011
(continued)

Market and outlook (continued)

Economically and geographically, we expect steady growth in the Middle East, where both the Halcrow and CH2M HILL organisations have had a long-term and respected presence. Clients in this broad region are continuing to spend on large civil infrastructure and energy projects. Specifically, we see strong pockets of spending in the United Arab Emirates and Saudi Arabia, while other markets appear stable to growing.

Certain Asian markets demonstrating strong growth have begun to slow, namely China and India, but the region overall presents reasonable stability in manufacturing and infrastructure spending.

Latin America presents a set of mixed markets, however, some countries continue to demonstrate strong growth in infrastructure spending.

Europe's economy is expected to remain sluggish. The United Kingdom, our primary European market, is stable but continues to struggle to build and maintain growth in gross domestic product. It appears that the government is motivated to increase spending on infrastructure-related projects to further stimulate the economy, which would have a positive impact on the demand for services in a number of key sectors for the business.

Other notable items include:

Improved financial stability - Aggressive steps were taken in 2012 to substantially alter and streamline Halcrow's operating profile to better align the cost structure with the markets. As in most acquisitions, there were redundant roles in support functions that allowed for meaningful overhead cost savings to be realized throughout 2012. There was also substantial duplication across the offices leading to office consolidations which have materially reduced the cost structure.

Client Focus - Enhancements have been made to the client service team to improve the ability to understand and respond to client issues and needs. This increased client focus has resulted in rebuilding a pipeline of solid prospects leading to recent, important wins that have resulted in plans to increase staff in 2013 in certain service areas.

Integration - The CH2M HILL and Halcrow teams have integrated and aligned our service delivery thereby allowing us to deepen market penetration. Financial reporting systems were also integrated, with the group converting to Oracle in July 2012.

Safety - The Halcrow organisation is proud to report millions of work hours without a lost time incident in 2012 due to a continuing and relentless focus on operating safely in all markets, and

People Investment - To invest in staff across the enterprise, we have significantly increased spending for learning and development. Employees have access to a variety of learning opportunities, including through the CH2M HILL University, which consists of eight schools ranging from risk management to business development. This is in addition to adding members of the Halcrow team to a variety of professional network groups within the group organisation, such as the Women's Network and one for junior to mid-level staff.

2012 has been a year of rebuilding, integration and market positioning. The combined company's well-established delivery expertise provides a solid, competitive platform for future growth. The expanded staff and expertise and the global reputation of Halcrow and CH2M HILL for project excellence positions the combined companies for promising opportunities in strategic markets for years to come.

We believe all of these developments, starting at the end of 2011 and continuing to date, have materially changed and improved the outlook for Halcrow operations during this period and into the future.

HALCROW GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011
(continued)

Directors

The following served on the board of directors during the period under review and to the current date

P G Gammie (resigned 30 November 2011)
A Saffer (resigned 30 November 2011)
L G Buck (resigned 8 July 2011)
N Holt (resigned 24 February 2012)
D J Kerr (resigned 17 August 2012)
Y A Abidi (appointed 12 August 2011, resigned 12 November 2012)
A J F Coates (appointed 12 August 2011)
S E Harrington (appointed 21 September 2012)
S Mathews (appointed 2 November 2012)

Charitable Contributions

Contributions made by the company during the year for charitable purposes were £1,000 (2010 £80,000)

Disabled persons

The company's policy is to give full and fair consideration to applications from disabled persons for positions in which they can perform the tasks required. Effectively, the same opportunities for training, career advancement and promotion are given to disabled persons employed by the company as to all other staff, where this is practicable. The employment of those who become disabled whilst in the employment of the company is continued wherever possible and appropriate training is arranged.

Employee involvement

The policy of the company is one of continuing to develop effective means of consultation and communication within and between its operating constituents.

Consultation is achieved through a Staff Council which is elected by employees and meets on a regular basis. Communication is achieved through a variety of means that deliver regular information relating to the finances, resources, technical developments and achievements of the company.

CH2M HILL Companies, Ltd believes that employee share ownership is an important factor in employee involvement and an internal market is operated through which employees may buy and sell shares in CH2M HILL Companies, Ltd.

HALCROW GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011
(continued)

Change of auditor

During the year, the company's previous auditor 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.

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.

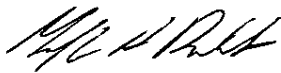
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Post Balance Sheet Event

On 12 December 2012, Halcrow Group Limited entered into a secured loan agreement with the ultimate parent, CH2M HILL Companies, Ltd. This loan agreement was amended and restated as of 20 February 2013.

As security for the loan agreement, the company granted a fixed and floating charge over its assets to CH2M HILL Companies, Ltd. which includes a pledge of shares of its directly held subsidiaries.

Approved by the Board and signed
on its behalf by



G Roberts
Secretary
22 March 2013

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

Registered Number
03415971

HALCROW GROUP LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 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 year. 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,
- 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 GROUP LIMITED

We have audited the financial statements of Halcrow Group Limited for the year ended 31 December 2011 set out on pages 9 to 31. 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 6, 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 year 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 year for which the financial statements are prepared is consistent with the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

HALCROW GROUP LIMITED

(continued)

Emphasis of Matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. At 31 December 2011 the Company had net current assets of £14,372,000 (2010 net current assets of £69,620,000). The Company is dependent on continued support from its Parent and ultimate Parent, CH2M HILL Companies, Ltd, including for any additional funding that might be required, and no certainty has been provided in respect of this support. This matter, together with the other matters explained in Note 1, indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.



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

15 Canada Square

London

E14 5GL

22 March 2013

HALCROW GROUP LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	<u>2011</u> £'000	<u>2010</u> £'000
Turnover	2	238,239	330,510
Cost of sales		<u>(169,114)</u>	<u>(199,487)</u>
Gross profit		69,125	131,023
Administrative expenses		(138,043)	(110,897)
Operating (loss)/profit before exceptional costs		(62,379)	26,337
Costs of sale of Group	3	(3,234)	-
Onerous lease provisions	16	(1,199)	-
Redundancy & other related costs	3	(2,106)	(2,215)
Working capital provisions		-	(3,996)
Operating (loss)/profit	3	(68,918)	20,126
Impairment of goodwill	9	-	-
Provision against cost of investment	12	(1,235)	-
Write-back of investment	12	864	-
Interest receivable and similar income	4	387	414
Interest payable and similar charges	5	<u>(2,408)</u>	<u>(3,947)</u>
(Loss)/Profit on ordinary activities before taxation		(71,310)	16,593
Tax on (loss)/profit on ordinary activities	8	<u>869</u>	<u>(2,213)</u>
(Loss)/Profit for the year after taxation	19,21	<u><u>(70,441)</u></u>	<u><u>14,380</u></u>

All results are derived from continuing operations

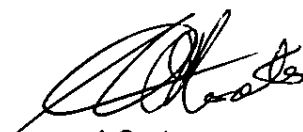
Notes on pages 12 to 31 form part of these financial statements


HALCROW GROUP LIMITED
BALANCE SHEET AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Intangible assets - goodwill	9	-	302
Tangible assets	10	7,668	12,568
Investments in joint ventures	11	4,733	-
Other investments	12	15,706	16,468
		<u>28,107</u>	<u>29,338</u>
Current assets			
Debtors amounts falling due within one year	13	84,189	149,854
Debtors amounts falling due after more than one year	13	35,182	16,648
Cash at bank and in hand		2,629	6,607
		<u>122,000</u>	<u>173,109</u>
Creditors amounts falling due within one year	14	(107,628)	(103,489)
Net current assets		<u>14,372</u>	<u>69,620</u>
Total assets less current liabilities		42,479	98,958
Creditors amounts falling due after more than one year	15	(30,245)	(2,730)
Provisions for liabilities and charges	16	(9,941)	(5,663)
Net assets (excluding pension liability)		2,293	90,565
Net pension liability	23	(179,700)	(65,213)
Net (liabilities) / assets (including pension liability)		<u>(177,407)</u>	<u>25,352</u>
Capital and reserves			
Called up share capital	18	10,000	10,000
Profit and loss account	19	(195,563)	6,423
Translation reserve	20	8,156	8,929
Shareholders' (deficit) / funds	21	<u>(177,407)</u>	<u>25,352</u>

Notes on pages 12 to 31 form part of these financial statements

The financial statements of Halcrow Group Limited, registered number 03415971 were approved by the Board of Directors and authorised for issue on 22 March 2013. They were signed on its behalf by


A Coates
Director


SE Harrington
Director

HALCROW GROUP LIMITED
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		(70,441)	14,380
Actuarial (loss)/gain relating to the pension scheme	23	(101,952)	6,015
Movement on related deferred tax	23	(29,821)	(2,635)
Movement on translation reserve	22	(773)	1,193
Share based payments credit		<u>228</u>	<u>105</u>
Total (losses)/gains recognised since last annual report and financial statements		<u>(202,759)</u>	<u>19,058</u>

Notes on pages 12 to 31 form part of these financial statements

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 year. In accordance with FRS1 'Cash Flow Statements', the company is exempt from the requirements to prepare a cash flow statement as it is a wholly owned subsidiary of Halcrow Holdings Limited, the consolidated financial statements of which are publicly available.

(b) Going Concern

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons:

The Company is part of and depends for its funding on the Halcrow Group, which has encountered significant operating difficulties in the year to 31 December 2011. These difficulties culminated in the Group's acquisition by CH2M HILL Companies, Ltd ("CH2M HILL") in November 2011.

As at 31 December 2011, the Company has net liabilities of £177,407,000 and net current assets of £14,372,000.

The Directors consider the longer term outlook of the company is positive, and are optimistic that, together with the skills and resources of its new ultimate parent, CH2M HILL Companies, Ltd, the company's trading position can be reversed.

In December 2012, the Company's intermediate parent, Halcrow Holdings Limited ("Halcrow") entered into a new secured loan agreement with CH2M HILL. Advances under this secured facility are at the discretion of CH2M HILL. It is in addition to the unsecured loans which were provided to Halcrow upon its initial acquisition by CH2M HILL.

At the date of approving these financial statements the Company understands that CH2M HILL has indicated informally to the Halcrow Board that it is not its intention to demand repayment of either the secured facility or unsecured loans for a period of at least 12 months and therefore that Halcrow will be able to provide any required funding to the Company. To the extent the Company experiences future cash shortfalls, the Directors have received no assurances from either Halcrow or CH2M HILL that funding will be made available to the Company. Other than its ability to manage working capital, the Company has no other immediate access to funding. However, whilst there can be no certainty that CH2M HILL will either continue to provide the existing funding or provide such extended funding as might be required, Halcrow remains a key part of the CH2M HILL global strategy and accordingly the Company Directors believe that this future funding (and any additional requirements resulting from any reasonably possible change in trading performance) will be made available, although recognise that there can be no certainty of this.

This represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. Nevertheless after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would arise from the going concern basis not being appropriate.

(c) Turnover and recognition of profit

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.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

1 ACCOUNTING POLICIES (continued)

(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.

(e) 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 company'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.

(f) 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.

(g) 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
Motor vehicles	25%
Furniture and equipment	
Computers	25% - 33%
Others	20%

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

1 ACCOUNTING POLICIES (continued)

(h) Pensions

Benefits are funded by payments to trustee administered funds

The main scheme is the Halcrow Pension Scheme, which provides benefits calculated in relation to final salary

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(i) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

(j) Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

(k) Investments

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

(l) Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of identifiable net assets acquired. Goodwill arising on acquisitions is capitalised in accordance with FRS 10 "Goodwill and Intangible Assets". Where these assets are regarded as having limited useful lives, they are amortised on a straight line basis over these lives, which range from 5 to 20 years. No goodwill balance has previously been eliminated against reserves in the year of acquisition.

Goodwill which is held in foreign currencies is retranslated to the closing exchange rate.

Impairment provisions are determined by comparing the carrying value of the asset with its recoverable amount, being the value in use or expected future cash flows.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

1 ACCOUNTING POLICIES (continued)

(m) Taxation

Current tax, including UK corporation tax and foreign 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.

(n) Derivative financial instruments

The Company uses foreign exchange swaps to manage risks arising from its operations. The Company does not hold or issue derivative financial instruments for speculative purposes. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

(o) Provisions for liabilities and charges

Property dilapidations - the company makes provision for the expected amount of payments to be made to landlords of properties leased by the company at their termination.

Excesses on insured claims - the company makes provision where claims have been made against the company, which fall within the excess of the company's professional indemnity insurance policy, to the extent that it is considered probable that an obligation will arise.

Onerous leases - provision is made in respect of vacant properties, or onerous property terms associated with the company's leased portfolio. The provision will be utilised over the remaining periods of the relevant leases.

Contract losses - the company makes provision for contracts where expected contribution does not include a reasonable allocation of overheads.

(p) Share based payments

The Company operates an employee share-based incentive arrangement which typically includes the grant of share options or the right to acquire shares in the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2 TURNOVER

The geographical analysis of turnover by origin is set out below

	<u>2011</u>	<u>2010</u>
	£000	£000
United Kingdom, Ireland and Europe	203,872	228,776
The Americas	8,997	10,914
Middle East and Africa	16,191	80,804
Asia and Australasia	9,179	10,016
	<u>238,239</u>	<u>330,510</u>

Geographical segmentation of turnover by destination is not materially different from turnover by origin.

All turnover is derived from the one principal activity of the company.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3 OPERATING (LOSS) / PROFIT	<u>2011</u>	<u>2010</u>
	£000	£000
Operating (loss)/profit is stated after charging/(crediting)		
Auditor's remuneration for audit	200	168
Auditor's remuneration for other services	-	98
Depreciation of tangible fixed assets - owned	2,701	4,816
- leased	794	211
Amortisation of goodwill	47	47
Foreign exchange gain	(3,020)	(200)
Increase / (decrease) in bad debt provisions	27,439	(1,033)
Costs of sale of Group	3,234	-
Exceptional working capital provision	-	3,996
Redundancy and other related costs	2,106	2,215
Operating leases		
Rent of properties payable	6,348	9,748
Rent of properties receivable	(2,585)	(178)
Other operating leases	802	1,055
	<u>387</u>	<u>414</u>

Auditor's remuneration for other services relates to tax services of £nil (2010 £21,000) and other services of £nil (2010 £77,000). Amounts disclosed for auditor remuneration reflects fees payable to KPMG LLP in the current year and Deloitte in 2010.

Redundancy and other related costs were incurred following a number of redundancies in regions where the economic retrenchment has been felt most strongly.

The company incurred non-recurring costs of £3,234,000 during the sale process which led to the acquisition by CH2M HILL Companies, Ltd.

4 INTEREST RECEIVABLE AND SIMILAR INCOME	<u>2011</u>	<u>2010</u>
	£000	£000
Interest receivable on		
Short term bank deposits	23	23
Loans to group undertakings	316	386
Other loans	48	5
	<u>387</u>	<u>414</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES	<u>2011</u>	<u>2010</u>
	£000	£000
Interest payable on		
Finance leases	298	25
Net interest payable on pension schemes	-	2,265
Bank loans, overdrafts and other loans wholly payable within five years	2,110	1,657
	<u>2,408</u>	<u>3,947</u>

HALCROW GROUP LIMITED
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6 EMPLOYEE INFORMATION

	<u>2011</u> Number	<u>2010</u> Number
(a) The average number of persons, including directors, employed by the company during the year was		
Professional and technical	2,838	3,869
Administrative	539	748
	<u>3,377</u>	<u>4,617</u>
	<u>2011</u> £000	<u>2010</u> £000
(b) The aggregate payroll costs of these persons were as follows		
Wages and salaries	119,520	174,942
Social security costs	12,410	12,948
Pension costs	7,938	12,390
Share based payments	228	105
Redundancy costs	2,106	2,215
	<u>142,202</u>	<u>202,600</u>

7 DIRECTORS' EMOLUMENTS

	<u>2011</u> £000	<u>2010</u> £000
Staff costs include the following emoluments of directors of Halcrow Group Limited		
Aggregate emoluments	1,296	929
Compensation for loss of office	214	-
Contributions to money purchase pension arrangements	125	123
	<u>1,635</u>	<u>1,052</u>
Aggregate emoluments include amounts paid to		
The highest paid director		
Emoluments	262	243
Contributions to money purchase pension arrangement	23	35
The highest paid director had benefits under the Halcrow Pension Scheme as follows		
Accrued annual pension at end of the year	89	88
Seven directors, including the highest paid director, exercised share options during the year (2010 four) The gain on exercise was £1,090,000		

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(continued)

8 TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	<u>2011</u>	<u>2010</u>
	£000	£000
United Kingdom corporation tax at 26.49% (2010: 28%)		
Current year	-	396
Adjustment to prior year provision	2,157	(727)
Overseas tax		
Adjustment to prior year provision	1,217	-
Others	<u>(15)</u>	<u>755</u>
Total current tax	3,359	424
Deferred taxation, origination and reversal of timing differences	1,472	226
Deferred taxation, pension liability	<u>(5,700)</u>	<u>1,563</u>
Tax on (loss)/profit on ordinary activities	<u><u>(869)</u></u>	<u><u>2,213</u></u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 26.49% (2010: 28%). The actual tax charge for the current and the previous year varies from the standard rate for the reasons set out in the following reconciliation:

	<u>2011</u>	<u>2010</u>
	£000	£000
(Loss)/profit on ordinary activities before tax	<u>(71,310)</u>	<u>16,593</u>
Tax on (loss)/profit on ordinary activities at standard rate 26.49% (2010: 28%)	(18,890)	4,646
Factors affecting charge for the period		
Expenses not deductible for tax purposes	(24,853)	(4,261)
Pension provision	(2,231)	(42)
Capital allowances less than / (in excess of) depreciation	679	(207)
Other timing differences	(25)	206
Group relief surrendered	8,007	-
Additional deduction for R&D expenditure	(1,192)	-
Foreign tax charged at higher rates than UK standard rate	-	755
Adjustments to tax charge in respect of prior periods	3,374	(727)
Losses not provided	<u>38,490</u>	<u>54</u>
Total current tax	<u><u>3,359</u></u>	<u><u>424</u></u>

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 and the December 2012 Autumn Statement announced a planned further reduction to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

9 INTANGIBLE ASSETS - GOODWILL

	Goodwill £000
COST	
1 January 2011 and 31 December 2011	<u>2,168</u>
AMORTISATION	
1 January 2011	1,866
Charge for the year	47
Impairment	<u>255</u>
31 December 2011	<u>2,168</u>
NET BOOK VALUE	
31 December 2011	<u>-</u>
31 December 2010	<u>302</u>

Goodwill is being amortised on a straight-line basis over periods of between 5 and 20 years. These are the periods over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

10 TANGIBLE FIXED ASSETS

	Improvements to short leasehold properties £000	Motor vehicles £000	Furniture and equipment £000	TOTAL £000
COST				
1 January 2011	5,078	662	35,608	41,348
Additions	241	17	655	913
Disposals	(2,350)	(289)	(2,274)	(4,913)
Transfers	3,947	(19)	(3,928)	-
Transfers to new subsidiary	(87)	-	(3,763)	(3,850)
Exchange movement	(57)	(36)	(460)	(553)
31 December 2011	<u>6,772</u>	<u>335</u>	<u>25,838</u>	<u>32,945</u>
DEPRECIATION				
1 January 2011	4,065	451	24,264	28,780
Charge for year	178	69	3,248	3,495
Disposals	(2,348)	(268)	(2,129)	(4,745)
Transfers	(221)	9	212	-
Transfers to new subsidiary	(67)	-	(2,094)	(2,161)
Exchange movement	(3)	(29)	(60)	(92)
31 December 2011	<u>1,604</u>	<u>232</u>	<u>23,441</u>	<u>25,277</u>
NET BOOK VALUE				
31 December 2011	<u>5,168</u>	<u>103</u>	<u>2,397</u>	<u>7,668</u>
31 December 2010	<u>1,013</u>	<u>211</u>	<u>11,344</u>	<u>12,568</u>

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(continued)

10 TANGIBLE FIXED ASSETS (continued)

Tangible fixed assets include fixed assets held under finance lease agreements as follows

	<u>2011</u>	<u>2010</u>
	£000	£000
Net book value at end of year	<u>2,688</u>	<u>3,974</u>
Depreciation charge for the year	<u>794</u>	<u>211</u>

11 INVESTMENTS IN JOINT VENTURES

	<u>2011</u>	<u>2010</u>
	£000	£000
1 January 2011	-	-
Transfer from debtors within one year	<u>4,733</u>	-
31 December 2011	<u>4,733</u>	-

During the year the group transferred an investment of £4,733,000 in a joint venture with Aone in Great Britain that was previously reported in debtors within one year

12 OTHER INVESTMENTS

	Trade investments	Shares in subsidiary undertakings	Total
	£000	£000	£000
COST			
1 January 2011	8	16,753	16,761
Additions	-	9	9
Disposals	-	(400)	(400)
Write-back of investment	-	864	864
31 December 2011	<u>8</u>	<u>17,226</u>	<u>17,234</u>
PROVISIONS			
1 January 2011	-	293	293
Provision in year	-	1,235	1,235
31 December 2011	<u>-</u>	<u>1,528</u>	<u>1,528</u>
NET BOOK VALUE			
31 December 2011	<u>8</u>	<u>15,698</u>	<u>15,706</u>
31 December 2010	<u>8</u>	<u>16,460</u>	<u>16,468</u>

None of the investments included in the above amounts are listed on a recognised investment exchange. The principal subsidiary undertakings are shown in note 29 of the financial statements.

Consolidated financial statements have not been prepared as the company is itself a wholly owned subsidiary of a company incorporated in Great Britain, as permitted by the Companies Act 2006. These accounts present information about the company and not the group.

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(continued)

13 DEBTORS

	<u>2011</u> £000	<u>2010</u> £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	25,252	78,017
Amounts recoverable on contracts	12,802	25,112
Amounts owed by group undertakings	32,520	35,785
Amounts owed by related undertakings	8,368	-
Amounts owed by associates & joint ventures	74	6,162
Other debtors	1,042	4,077
Prepayments and accrued income	4,131	701
	<u>84,189</u>	<u>149,854</u>
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Deferred taxation depreciation in excess of capital allowances	-	1,472
Amounts owed by group undertakings	35,182	15,176
	<u>35,182</u>	<u>16,648</u>
	<u>119,371</u>	<u>166,502</u>

Deferred taxation

The movement in the total deferred tax asset during the year reconciles as follows

	£000
Balance at 1 January 2011	1,472
Charge to profit and loss account	<u>(1,472)</u>
Balance at 31 December 2011	<u>-</u>

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2011</u> £000	<u>2010</u> £000
Bank loans and overdrafts - secured	-	38,990
Payments on account	20,859	28,370
Trade creditors	5,720	9,800
Obligations under finance leases	657	-
Amounts owed to associates and joint ventures	-	290
Amounts owed to group undertakings	45,344	-
Amounts owed to related undertakings	32	-
United Kingdom corporation tax	1,051	100
Other taxation and social security	11,626	7,012
Other creditors	2,100	1,686
Accruals and deferred income	<u>20,239</u>	<u>17,241</u>
	<u>107,628</u>	<u>103,489</u>

Obligations under finance leases

Amounts shown above as obligations under finance leases are secured on the related leased assets

HALCROW GROUP LIMITED
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15 CREDITORS' AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2011</u> £000	<u>2010</u> £000
Obligations under finance leases	2,199	2,730
Amounts owed to group undertakings	<u>28,046</u>	<u>-</u>
	<u>30,245</u>	<u>2,730</u>

Obligations under finance leases

Amounts shown above as obligations under finance leases falling due after more than one year are due between the second and fifth years inclusive and are secured on the related leased assets

Maturity of financial liabilities

	<u>2011</u> £000	<u>2010</u> £000
Less than one year	657	38,990
Between two and five years	<u>30,245</u>	<u>2,730</u>
	<u>30,902</u>	<u>41,720</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

	1 January 2011 £000	Charged / (credited) to profit & loss account £000	Utilised in year £000	31 December 2011 £000
Property dilapidation	3,346	258	-	3,604
Onerous leases	-	1,199	-	1,199
Excesses on insured claims	1,450	3,635	(130)	4,955
Contract losses	<u>867</u>	<u>(684)</u>	<u>-</u>	<u>183</u>
	<u>5,663</u>	<u>4,408</u>	<u>(130)</u>	<u>9,941</u>

Details of provisions are as follows

Property dilapidation

Provision is made for the expected amount of payments to be made to landlords of properties leased by the company at their termination. The relevant leases expire between 2011 and 2021.

Onerous leases

Provision is made in respect of vacant properties, or onerous property terms associated with the company's leased portfolio. The provision will be utilised over the remaining periods of the relevant leases.

Excesses on insured claims

When claims have been made against the company, provision is made for the amount that falls within the excess of the company's professional indemnity insurance policy. The provision will be utilised over the period of the related claim, which is expected to be within the next twelve months.

Contract losses

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

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

17 FINANCIAL COMMITMENTS

The company has annual commitments under non-cancellable operating leases as follows

	<u>2011</u> £000	<u>2010</u> £000
Land and buildings		
Leases which expire		
Within one year	205	1,183
Within two to five years	2,052	2,255
After more than five years	<u>8,186</u>	<u>4,636</u>
	<u>10,443</u>	<u>8,074</u>
Other		
Leases which expire		
Within one year	11	166
Within two to five years	<u>391</u>	<u>681</u>
	<u>402</u>	<u>847</u>

18 CALLED UP SHARE CAPITAL

	<u>2011</u> £000	<u>2010</u> £000
Authorised		
15,000,000 ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>
Called up, allotted and fully paid		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

19 PROFIT AND LOSS ACCOUNT

	<u>2011</u> £000	<u>2010</u> £000
At the beginning of the year	6,423	(11,442)
(Loss)/profit for the year	(70,441)	14,380
Actuarial (loss)/gain on pension scheme (net of deferred tax)	(131,773)	3,380
Share based payments credit	<u>228</u>	<u>105</u>
At the end of the year	<u>(195,563)</u>	<u>6,423</u>

The profit and loss account includes a charge of £228,000 in relation to share based payments (2010 £105,000) The share based payment charge relates to remuneration provided to the company's directors and employees in the form of options over the shares of the ultimate parent company, Halcrow Holdings Limited

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(continued)

20 TRANSLATION RESERVE	2011	2010
	£000	£000
At the beginning of the year	8,929	7,736
Movement on reserve in the year	<u>(773)</u>	<u>1,193</u>
At the end of the year	<u><u>8,156</u></u>	<u><u>8,929</u></u>

21 RECONCILIATION OF MOVEMENT IN

SHAREHOLDERS' (DEFICIT) / FUNDS

	2011	2010
	£000	£000
At the beginning of the year	25,352	6,294
(Loss)/profit for the year	(70,441)	14,380
Actuarial (loss)/gain on pension scheme (net of deferred tax)	(131,773)	3,380
Movement on translation reserve	(773)	1,193
Share based payments credit	<u>228</u>	<u>105</u>
At the end of the year	<u><u>(177,407)</u></u>	<u><u>25,352</u></u>

22 OPTIONS

Options in respect of no (zero) ordinary shares of £1 each were outstanding at 31 December 2011 (2010 1,249,866) under the group's savings-related share option scheme

Option Price	Exercisable	<u>At 1 Jan</u>	<u>Granted</u>	<u>Exercised</u>	<u>Lapsed</u>	<u>At 31 Dec</u>
		<u>2011</u>				<u>2011</u>
		Number	Number	Number	Number	Number
195p	2010	44,211	-	27,009	17,202	-
205p	2011	69,315	-	66,544	2,771	-
220p	2010	39,945	-	10,827	29,118	-
220p	2012	68,882	-	65,108	3,774	-
315p	2011	287,580	-	242,845	44,735	-
315p	2013	470,534	-	228,347	242,187	-
315p	2015	95,771	-	47,599	48,172	-
386p	2013	47,489	-	13,025	34,464	-
386p	2015	96,690	-	15,521	81,169	-
386p	2017	29,449	-	4,621	24,828	-
		<u>1,249,866</u>	<u>-</u>	<u>721,446</u>	<u>528,420</u>	<u>-</u>

HALCROW GROUP LIMITED
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(continued)

22 OPTIONS (continued)

There were no options granted during 2011 and the group's share-based payments charge for 2011 is £228,000 (2010 £105,000). The charge in 2011 represents the accelerated charge and arising from the winding up of the scheme following the purchase of the group by CH2M HILL Companies, Ltd.

23 PENSION COMMITMENTS

The company operates various pension schemes and other long-term benefit plans for eligible employees. The assets of all schemes are held separately from those of the company and are invested by independent investment managers.

The main scheme is the Halcrow Pension Scheme which is a defined benefit pension scheme. The company also sponsors the Pension & Life Assurance Plan of Halcrow Fox & Associates Limited, The MEDA Pension & Death Benefits Scheme, the Prudential Platinum Pension Scheme and contributes to the Halcrow Rail section of the Railways Pension Scheme, all of which are also defined benefit pension arrangements. Contributions are paid to the schemes as agreed with the trustees of those schemes.

All UK defined benefit pension schemes have been closed to new entrants for a number of years. The schemes were closed to future accrual with effect from 31 December 2007, with the exception of the Railways Pension Scheme and those members covered by the TUPE provisions. For those members affected, their defined-benefit pensions will remain linked to their pensionable salary (with certain restrictions) for a period of five years from 1 January 2008. Since this date, such members have had the right to earn current service benefits in the Halcrow Money Purchase Plan (HMPP).

Over the year to 31 December 2011, contributions by the company of £7.5m were made to the main UK pension scheme (2010 £7.5m). Contributions have been reviewed as part of the full actuarial valuation of the main scheme with an effective date of 31 December 2008. Under the new schedule of contributions, contributions of £10.4m would be payable in 2012. Additional contributions dependent on Company performance may also be paid. Total contributions of 29.1% of pensionable salaries are being paid in respect of any members who continue to accrue benefits (payable in aggregate by the members and the employer). Contributions of £0.7m were made to the Halcrow Fox scheme in line with the Group agreement with the Trustees. Contributions of £0.8m were made to the Railways Scheme. Further contributions were made to other smaller arrangements.

The company contributed £7.0m (2010 £6.7m) to the HMPP, which is a defined contribution arrangement.

Calculations based on a full actuarial valuation of the main pension scheme as at 31 December 2008 have been updated to the accounting date by an independent qualified actuary in accordance with FRS17. Other UK pension arrangements have been updated in a similar manner. 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. The tables below also set out as at 31 December 2010 and 31 December 2011 the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities.

The Halcrow Pension scheme

Assumptions	<u>2011</u>	<u>2010</u>
Price inflation	3.1% p.a.	3.4% p.a.
Discount rate	4.9% p.a.	5.6% p.a.
Pension increases (fixed)	5.0% p.a.	5.0% p.a.
Pension increases (5% LPI)	3.0% p.a.	3.3% p.a.
Salary Growth (on average) *	4.1% p.a.	4.4% p.a.

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23 PENSION COMMITMENTS (continued)

The Halcrow Fox scheme and the Railways scheme

Assumptions	2011	2010
Price inflation	3.1% p a	3.4% p a
Discount rate	4.9% p a	5.6% p a
Pension increases (fixed)	5.0% p a	5.0% p a
Pension increases (5% LPI)	3.0% p a	3.3% p a
Salary Growth (on average) *	4.1% p a	4.4% p a

*Adjustments have been made for expected increases in the short term

On the basis of the assumptions used for life expectancy, a male pensioner in the UK currently aged 65 would be expected to live for a further 22.4 years (2010 20.3 years). Allowance is made for future improvements in life expectancy, so a pensioner in the UK reaching the age of 65 in 2031 would be expected to live for a further 24.7 years

Expected return on assets

The Halcrow Pension scheme

Components	2011	2010
Equities	8.3% p a	9.0% p a
Bonds	3.6% p a	5.0% p a
Property	6.6% p a	6.7% p a
Other	2.7% p a	2.2% p a
Overall returns expected over the accounting year	5.6% p a	6.7% p a

The Halcrow Fox scheme and the Railways scheme

Components	2011	2010
Equities	8.3% p a	9.0% p a
Bonds	3.6% p a	5.0% p a
Property	6.6% p a	6.7% p a
Other	2.7% p a	2.2% p a
Overall returns expected over the accounting year	5.6% p a	6.7% p a

The above expected rates of return are used to calculate the expected return figures stated below for the schemes. The rates are set to reflect long term expectations of the returns on each asset class held in the schemes at the start of each accounting year. The overall rate is the weighted average of the individual rates. The actual return on scheme assets over 2011 was a gain of £15,376,000 (2010 gain of £45,262,000)

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(continued)

23 PENSION COMMITMENTS (continued)

<u>Components</u>	<u>31 December 2011</u>		
	<u>Fair Value</u> (schemes in deficit)	<u>Fair Value</u> (scheme in surplus)	<u>Total</u>
	£000	£000	£000
Equities	180,347	-	180,347
Bonds	182,345	167	182,512
Property	20,381	-	20,381
Other	21,280	-	21,280
<u>Balance Sheet</u>			
Total fair value of assets	404,353	167	404,520
Present value of liabilities	(587,558)	(142)	(587,700)
Deficit in the schemes	(183,205)	25	(183,180)
Employee share of deficit	3,480	-	3,480
Adjusted (deficit) / surplus in schemes	(179,725)	25	(179,700)
Related deferred tax	-	-	-
Net pension liabilities	(179,725)	25	(179,700)

<u>Components</u>	<u>31 December 2010</u>		
	<u>Fair value</u> (schemes in deficit)	<u>Fair value</u> (schemes in surplus)	<u>Total</u>
	£000	£000	£000
Equities	190,409	-	190,409
Bonds	179,527	-	179,527
Property	19,300	-	19,300
Other	4,307	-	4,307
<u>Balance Sheet</u>			
Total fair value of assets	393,543	-	393,543
Present value of liabilities	(482,876)	-	(482,876)
Deficit in the schemes	(89,333)	-	(89,333)
Related deferred tax	24,120	-	24,120
Net pension liabilities	(65,213)	-	(65,213)

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

23 PENSION COMMITMENTS (continued)

Under FRS17, the schemes are represented on the balance sheet as net pension liabilities of £179,700,000 (2010 £65,213,000)

The scheme liabilities under FRS17 moved over the period as follows

	<u>2011</u> £000	<u>2010</u> £000
Scheme liabilities at the beginning of the year	(482,876)	(456,794)
Current service cost	(1,282)	(1,200)
Interest on post-retirement liabilities	(26,673)	(26,776)
Actuarial loss	(94,289)	(14,736)
Benefits paid	17,420	16,630
	<hr/>	<hr/>
Scheme liabilities at the end of the year	<u>(587,700)</u>	<u>(482,876)</u>

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

	<u>2011</u> £000	<u>2010</u> £000
Scheme assets at the beginning of the year	393,543	355,661
Expected return on plan assets	26,428	24,511
Contributions including those of employees	9,632	9,250
Actuarial (loss)/gain	(7,663)	20,751
Benefits paid	(17,420)	(16,630)
	<hr/>	<hr/>
Scheme assets at the end of the year	<u>404,520</u>	<u>393,543</u>

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

	<u>2011</u> £000	<u>2010</u> £000
Current service cost	1,282	1,200
Employee contributions	(1,212)	(1,482)
Total operating charge	<u>70</u>	<u>(282)</u>

The following amounts have been included as net finance costs under FRS17

	<u>2011</u> £000	<u>2010</u> £000
Expected return on pension scheme assets	26,428	24,511
Interest on post-retirement liabilities	<u>(26,673)</u>	<u>(26,776)</u>
Net finance cost	<u>(245)</u>	<u>(2,265)</u>

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

23 PENSION COMMITMENTS (continued)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	£000	£000	£000	£000	£000
Total fair value of assets	404,520	393,543	355,661	317,341	364,192
Present value of liabilities	(587,700)	(482,876)	(456,794)	(396,602)	(436,539)
(Deficit) / surplus in the schemes	(183,180)	(89,333)	(101,133)	(79,261)	(72,347)

The history of experience gains and losses over the last 5 years is

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actual return less expected return on scheme assets (£000)	(11,052)	20,751	22,792	(66,995)	(3,190)
Percentage of scheme assets	(2.73%)	5.27%	6.41%	(21.11%)	(0.88%)
Experience gains and (losses) arising on schemes' liabilities (£000)	(7,000)	5,626	(21,900)	(8)	152
Percentage of the value of the schemes' liabilities	1.19%	(1.17%)	4.79%	0.00%	(0.03%)
Total amount recognised in the STRGL (£000)	(101,952)	6,015	(28,555)	(16,406)	8,379
Percentage of the value of the schemes' liabilities	(17.35%)	1.25%	(6.25%)	(4.14%)	1.92%

The cumulative actuarial losses recognised in the STRGL since 1 January 2002 are £228,919,000 (2010 a cumulative loss of £126,967,000)

The effect of retirement benefits on operating profit calculated in accordance with FRS17 as set out in the financial statements is as follows

	<u>2011</u>	<u>2010</u>
	£000	£000
Funded defined benefit schemes	1,095	325
Defined contribution schemes	6,843	12,065
Charge per note 6b	7,938	12,390

24 CAPITAL COMMITMENTS

Capital expenditure contracted for, but not provided for, in the financial statements at 31 December 2011 was £184,000 (2010 £256,000)

25 DERIVATIVES NOT INCLUDED AT FAIR VALUE

The company has derivatives which are not included at fair value in the accounts

	Fair value	
	<u>2011</u>	<u>2010</u>
	£000	£000
Forward foreign exchange contracts	(242)	(376)
Interest rate swap contracts	-	(46)
	(242)	(422)

The company uses the derivatives to hedge its exposures to changes in foreign currency exchange rates and to manage its exposure to interest rate movements on its bank borrowings. The fair values are based on market values of equivalent instruments at the balance sheet date.

The company had an interest rate swap in place at the beginning of the year which matured on 1 December 2011.

HALCROW GROUP LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

26 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, Ltd.

27 RELATED PARTY TRANSACTIONS

In accordance with section 3c of FRS 8, 'Related Party Disclosures', transactions with other group undertakings within, and investee related parties of, the Halcrow group have not been disclosed in these financial statements.

During the year the group received £48,000 in interest from the Halcrow Trust (2010 £5,000) and paid £nil in interest to the Halcrow Trust (2010 £45,000). In 2011 there were no loans between the group from the Halcrow Trust at 31 December 2011 (2010 £1,008,000 due to the group from the Halcrow Trust).

28 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Halcrow Consulting 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, Ltd ("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.

29 SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

The company has the following principal subsidiaries which supply services as consulting engineers:

Subsidiary undertakings	Percentage owned
Halcrow Rural Management Limited	100%
Halcrow International Partnership	100%
Halcrow Water Services Limited	100%
Yolles Partnership Limited	100%
Sir William Halcrow and Partners Limited	100%

Halcrow Rural Management Limited operates in Europe, Asia, Central and South America and Africa.

Halcrow International Partnership operates in the Middle East.

Halcrow Water Services Limited operates principally in Great Britain.

Yolles Partnership Limited operates principally in Great Britain.

Sir William Halcrow and Partners Limited operates in Great Britain and South America.

The above subsidiary undertakings are registered in England and Wales.

All holdings are of ordinary shares.

Joint ventures.-

Aone	34%
The above joint venture operates in Great Britain	

30 POST BALANCE SHEET EVENTS

On 12 December 2012, Halcrow Group Limited entered into a secured loan agreement with the ultimate parent, CH2M HILL Companies, Ltd. This loan agreement was amended and restated as of 20 February 2013.

As security for the loan agreement, the company granted a fixed and floating charge over its assets to CH2M HILL Companies, Ltd. which includes a pledge of shares of its directly held subsidiaries.