

**HALCROW GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**REGISTERED NUMBER: 03415971**

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**HALCROW GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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**HALCROW GROUP LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

The directors present their report on the affairs of the company, together with the audited financial statements for the year ended 31 December 2012

**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 ultimate parent, CH2M HILL Companies, Ltd ("CH2M HILL"), the company's trading position can be improved

In December 2012, the Company entered into a new secured loan agreement with CH2M HILL, which agreement was subsequently amended and restated as of 20 February 2013

Whilst there can be no certainty that CH2M HILL will continue to provide funding, Halcrow remains a key part of the CH2M HILL global strategy and the directors have a reasonable expectation that funding will be made available and that the company and the group have 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**

The effects of the global recession continued to impact results in 2012, however results were significantly improved over 2011. Turnover declined from £238.2 million in 2011 to £210.9 million in 2012, a reduction of 11 per cent. A loss before taxation of £71.3 million in 2011 was reduced to a loss before taxation of £6.8 million in 2012, an improvement of 91 per cent.

**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 £203.9 million to £192.6 million, a reduction of 6 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 86 per cent in 2011 to 91 per cent in 2012. Overheads were carefully monitored and controlled as the volume of business changed.

**Middle East and Africa** - Turnover decreased by just over half in this region, moving from £16.2 million in 2011 to £8.0 million in 2012, a reduction of 51 per cent.

**The Americas** - Significant reductions in turnover were reported in this region, where turnover decreased from £9.0 million in 2011 to £5.0 million in 2012, a decrease of 44 per cent.

**Asia and Australasia** - Turnover reduced in this region, moving from £9.2 million in 2011 to £5.3 million in 2012, a fall of 43 per cent.

**HALCROW GROUP LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
(continued)

**Business Review (continued)**

CH2M HILL's acquisition of Halcrow in late 2011 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

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.

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.

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

The group'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**

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 group 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 has led to doubling the number of transport professionals to over 4,000 staff and bolstered the group'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 2012**  
(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. We have had some notable project wins in early 2013 that support this growth expectation. 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. We see real opportunity to expand our business in Asia however, and are starting to see conversion of opportunities in our Transportation business.

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 and appears to be seeing a more sustainable, albeit low, GDP growth. 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:

**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,

**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 2012**  
(continued)

**Directors**

The following served on the board of directors during the period under review and to the current date  
Y A Abidi (appointed 12 August 2011, resigned 12 November 2012)  
A J F Coates  
J F Coto Del Valle (appointed 15 May 2013)  
S E Harrington (appointed 21 September 2012)  
N Holt (resigned 24 February 2012)  
D J Kerr (resigned 17 August 2012)  
S Mathews (appointed 2 November 2012, resigned 15 May 2013)  
B R Shelton (appointed 15 May 2013)

**Charitable Contributions**

Contributions made by the company during the year for charitable purposes were £34,000 (2011 £1,000)

**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 2012**  
(continued)

**Auditor**

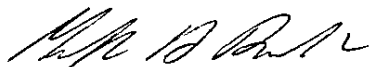
Each of the persons who is a director at the date of approval of this report confirms that

- 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

Approved by the Board and signed  
on its behalf by



G Roberts  
Secretary  
15 August 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 2012**

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 2012 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 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](http://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 2012 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.

#### **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 2012 the Company had net current liabilities of £16,858,000 (2011 net current assets £14,372,000). 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**HALCROW GROUP LIMITED**

(continued)

**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



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

15 Canada Square  
London  
E14 5GL  
15 August 2013

**HALCROW GROUP LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	<u>2012</u> £'000	<u>2011</u> £'000
Turnover	2	210,863	238,239
Cost of sales		<u>(137,228)</u>	<u>(169,114)</u>
Gross profit		73,635	69,125
Administrative expenses		(67,834)	(138,043)
Operating profit/(loss) before exceptional costs		9,007	(62,379)
Costs of sale of Group	3	-	(3,234)
Onerous lease provisions	16	-	(1,199)
Redundancy & other related costs	3	(3,206)	(2,106)
Operating profit / (loss)	3	5,801	(68,918)
Provision against cost of investment	12	(7,346)	(1,235)
Write-back of investment	12	-	864
Interest receivable and similar income	4	306	387
Interest payable and similar charges	5	<u>(5,517)</u>	<u>(2,408)</u>
Loss on ordinary activities before taxation		(6,756)	(71,310)
Tax on loss on ordinary activities	8	<u>1,064</u>	<u>869</u>
Loss for the year after taxation	19,21	<u><u>(5,692)</u></u>	<u><u>(70,441)</u></u>

All results are derived from continuing operations

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

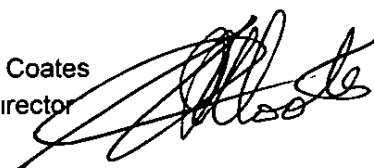
**HALCROW GROUP LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2012**

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Intangible assets - goodwill	9	-	-
Tangible assets	10	6,397	7,668
Investments in joint ventures	11	1,748	4,733
Other investments	12	<u>10,553</u>	<u>15,706</u>
		<u>18,698</u>	<u>28,107</u>
<b>Current assets</b>			
Debtors amounts falling due within one year	13	62,304	84,189
Debtors amounts falling due after more than one year	13	14,332	35,182
Cash at bank and in hand		<u>4,168</u>	<u>2,629</u>
		80,804	122,000
Creditors amounts falling due within one year	14	<u>(97,662)</u>	<u>(107,628)</u>
<b>Net current (liabilities) / assets</b>		<u>(16,858)</u>	<u>14,372</u>
<b>Total assets less current liabilities</b>		1,840	42,479
Creditors amounts falling due after more than one year	15	(1,492)	(30,245)
Provisions for liabilities and charges	16	<u>(7,552)</u>	<u>(9,941)</u>
<b>Net (liabilities) / assets (excluding pension liability)</b>		(7,204)	2,293
Net pension liability	23	<u>(214,978)</u>	<u>(179,700)</u>
<b>Net liabilities (including pension liability)</b>		<u>(222,182)</u>	<u>(177,407)</u>
<b>Capital and reserves</b>			
Called up share capital	18	10,000	10,000
Profit and loss account	19	(239,384)	(195,563)
Translation reserve	20	<u>7,202</u>	<u>8,156</u>
<b>Shareholders' deficit</b>	21	<u>(222,182)</u>	<u>(177,407)</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 15 August 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 2012**

	Notes	<u>2012</u> £'000	<u>2011</u> £'000
Loss for the year after taxation		(5,692)	(70,441)
Actuarial loss relating to the pension scheme	23	(38,129)	(101,952)
Movement on related deferred tax	23	-	(29,821)
Movement on translation reserve	20	(954)	(773)
Share based payments credit		<u>-</u>	<u>228</u>
Total losses recognised since last annual report and financial statements		<u>(44,775)</u>	<u>(202,759)</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 2012**

**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'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 ultimate parent, CH2M HILL Companies, Ltd ("CH2M HILL"), the company's trading position can be improved.

The Board considers that significant improvements in the operating performance of the company have been achieved in the last financial year, with the company recording a loss on ordinary activities after taxation of £5,692,000, compared with a £70,441,000 loss in 2011.

The Company is dependent upon an intermediate Parent Company, Halcrow Holdings Limited ("Halcrow") for funding. In December 2012, Halcrow entered into a new secured loan agreement with CH2M HILL. This agreement was subsequently amended and restated as of 20 February 2013. 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 in November 2011.

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 the 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 short term cash balances and 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 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 2012**

(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 2012**

(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 of expected future cash flows.



**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

(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>2012</u>	<u>2011</u>
	£000	£000
United Kingdom, Ireland and Europe	192,640	203,872
The Americas	4,994	8,997
Middle East and Africa	7,960	16,191
Asia and Australasia	5,269	9,179
	<u>210,863</u>	<u>238,239</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.

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<b>3 OPERATING PROFIT / (LOSS)</b>	<u>2012</u>	<u>2011</u>
	£000	£000
Operating profit / (loss) is stated after charging/(crediting)		
Auditor's remuneration for audit	200	200
Depreciation of tangible fixed assets - owned	1,273	2,701
- leased	701	794
Amortisation of goodwill	-	47
Foreign exchange loss / (gain)	1,542	(3,020)
(Decrease) / increase in bad debt provisions	(2,499)	27,439
Costs of sale of Group	-	3,234
Redundancy and other related costs	3,206	2,106
Operating leases	10,252	6,348
Rent of properties payable		
Rent of properties receivable	-	(2,585)
Other operating leases	762	802
	<u>762</u>	<u>802</u>

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 in 2011 during the sale process which led to the acquisition by CH2M HILL Companies, Ltd

**4 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2012</u>	<u>2011</u>
	£000	£000
Interest receivable on		
Short term bank deposits	30	23
Loans to group undertakings	276	316
Other loans	-	48
	<u>306</u>	<u>387</u>

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2012</u>	<u>2011</u>
	£000	£000
Interest payable on		
Finance leases	195	298
Net interest payable on pension schemes	5,284	245
Bank loans, overdrafts and other loans wholly payable within five years	38	1,865
	<u>5,517</u>	<u>2,408</u>

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**6 EMPLOYEE INFORMATION**

	<u>2012</u> Number	<u>2011</u> Number
(a) The average number of persons, including directors, employed by the company during the year was		
Professional and technical	2,369	2,838
Administrative	197	539
	<u>2,566</u>	<u>3,377</u>
	<u>2012</u> £000	<u>2011</u> £000
(b) The aggregate payroll costs of these persons were as follows		
Wages and salaries	108,493	119,520
Social security costs	10,477	12,410
Pension costs	12,798	7,938
Share based payments	-	228
Redundancy costs	3,206	2,106
	<u>134,974</u>	<u>142,202</u>

**7 DIRECTORS' EMOLUMENTS**

	<u>2012</u> £000	<u>2011</u> £000
Staff costs include the following emoluments of directors of Halcrow Group Limited		
Aggregate emoluments	404	1,296
Compensation for loss of office	204	214
Contributions to money purchase pension arrangements	24	125
	<u>632</u>	<u>1,635</u>
Aggregate emoluments include amounts paid to		
The highest paid director		
Emoluments	198	262
Contributions to money purchase pension arrangement	15	23
The highest paid director had benefits under the Halcrow Pension Scheme as follows		
Accrued annual pension at end of the year	<u>35</u>	<u>89</u>

No directors, including the highest paid director, exercised share options during the year (2011 seven)

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**8 TAX ON LOSS ON ORDINARY ACTIVITIES**

	<u>2012</u>	<u>2011</u>
	£000	£000
United Kingdom corporation tax at 24.50% (2011: 26.49%)		
Current year	-	-
Adjustment to prior year provision	(1,051)	2,157
Overseas tax		
Current year	3	-
Adjustment to prior year provision	(16)	1,217
Others	<u>          </u>	<u>(15)</u>
Total current tax	(1,064)	3,359
Deferred taxation, origination and reversal of timing differences	-	1,472
Deferred taxation, pension liability	<u>          </u>	<u>(5,700)</u>
<b>Tax credit on loss on ordinary activities</b>	<u><u>(1,064)</u></u>	<u><u>(869)</u></u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 24.50% (2011: 26.49%). 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>2012</u>	<u>2011</u>
	£000	£000
Loss on ordinary activities before tax	<u>(6,756)</u>	<u>(71,310)</u>
Tax on loss on ordinary activities at standard rate 24.50% (2011: 26.49%)	(1,655)	(18,890)
Factors affecting charge for the period		
Expenses not deductible/(income not taxable) for tax purposes	834	(24,853)
Pension provision	-	(2,231)
Capital allowances less than / (in excess of) depreciation	-	679
Other timing differences	-	(25)
Group relief surrendered	-	8,007
Additional deduction for R&D expenditure	-	(1,192)
Foreign tax charged at higher rates than UK standard rate	3	-
Adjustments to tax charge in respect of prior periods	(1,067)	3,374
Unrelieved tax losses	<u>821</u>	<u>38,490</u>
Total current tax	<u><u>(1,064)</u></u>	<u><u>3,359</u></u>

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. There will be a reduction in the rate from 25% to 24% (effective from 1 April 2012), a further reduction to 23% (effective from 1 April 2013), a further reduction to 21% (effective from 1 April 2014), and a further reduction to 20% (effective from 1 April 2015). All these changes were substantively enacted on the 17 July 2013. This will reduce the Group's future current tax charge accordingly and further reduce any deferred tax assets and liabilities at 31 December 2013 (which have been calculated based on the rate of 23%).

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**9 INTANGIBLE ASSETS - GOODWILL**

	Goodwill
<b>COST</b>	£000
1 January 2012 and 31 December 2012	<u>2,168</u>
<b>AMORTISATION</b>	
1 January 2012 and 31 December 2012	<u>2,168</u>
<b>NET BOOK VALUE</b>	
31 December 2011 and 31 December 2012	<u>-</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	Motor vehicles	Furniture and equipment	TOTAL
	£000	£000	£000	£000
<b>COST</b>				
1 January 2012	6,772	335	25,838	32,945
Additions	346	22	718	1,086
Disposals	(152)	(32)	(6,729)	(6,913)
Exchange movement	(31)	(28)	(96)	(155)
31 December 2012	<u>6,935</u>	<u>297</u>	<u>19,731</u>	<u>26,963</u>
<b>DEPRECIATION</b>				
1 January 2012	1,604	232	23,441	25,277
Charge for year	547	67	1,360	1,974
Disposals	(3)	(32)	(6,671)	(6,706)
Exchange movement	(1)	(18)	40	21
31 December 2012	<u>2,147</u>	<u>249</u>	<u>18,170</u>	<u>20,566</u>
<b>NET BOOK VALUE</b>				
31 December 2012	<u>4,788</u>	<u>48</u>	<u>1,561</u>	<u>6,397</u>
31 December 2011	<u>5,168</u>	<u>103</u>	<u>2,397</u>	<u>7,668</u>

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**10 TANGIBLE FIXED ASSETS (continued)**

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

	<u>2012</u>	<u>2011</u>
	£000	£000
Net book value at end of year	<u>1,987</u>	<u>2,688</u>
Depreciation charge for the year	<u>701</u>	<u>794</u>

**11 INVESTMENTS IN JOINT VENTURES**

	£000
1 January 2012	4,733
Additions	113
Investment return	(3,391)
Transfer from debtors within one year	<u>293</u>
31 December 2012	<u>1,748</u>

During the year the group transferred an investment of £293,000 in a joint venture with Broadland Environmental Services in Great Britain that was previously reported in debtors within one year £3,391,000 of the investment in Aone was returned in the year following progression of the project and a further investment of £113,000 was made

**12 OTHER INVESTMENTS**

	Trade investments	Shares in subsidiary undertakings	Total
	£000	£000	£000
<b>COST</b>			
1 January 2012	8	17,226	17,234
Additions	-	2,193	2,193
31 December 2012	<u>8</u>	<u>19,419</u>	<u>19,427</u>
<b>PROVISIONS</b>			
1 January 2012	-	1,528	1,528
Provision in year	-	7,346	7,346
31 December 2012	<u>-</u>	<u>8,874</u>	<u>8,874</u>
<b>NET BOOK VALUE</b>			
31 December 2012	<u>8</u>	<u>10,545</u>	<u>10,553</u>
31 December 2011	<u>8</u>	<u>15,698</u>	<u>15,706</u>

During the year the company has assessed the carrying value of its investments and an impairment charge of £7,346,000 has been recognised

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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**13 DEBTORS**

	<u>2012</u> £000	<u>2011</u> £000
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Trade debtors	26,055	25,252
Amounts recoverable on contracts	23,147	12,802
Amounts owed by group undertakings	8,791	40,888
Amounts owed by associates & joint ventures	-	74
United Kingdom corporation tax	1,051	-
Other debtors	664	1,042
Prepayments and accrued income	2,596	4,131
	<u>62,304</u>	<u>84,189</u>
<b>AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Amounts owed by group undertakings	14,332	35,182
	<u>76,636</u>	<u>119,371</u>

**Deferred taxation**

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses as there is insufficient evidence that the losses will be utilised in the foreseeable future. The amount of the asset not recognised is £218.1 million (2011: £188.0 million). The asset would be recovered if sufficient future taxable profits were to be made in the appropriate jurisdictions.

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**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2012</u> £000	<u>2011</u> £000
Bank loans and overdrafts - secured	30,371	-
Payments on account	16,595	20,859
Trade creditors	3,688	5,720
Obligations under finance leases	707	657
Amounts owed to group undertakings	17,242	45,344
Amounts owed to related party undertakings	330	32
United Kingdom corporation tax	-	1,051
Other taxation and social security	7,167	11,626
Other creditors	3,588	2,100
Accruals and deferred income	<u>17,974</u>	<u>20,239</u>
	<u><u>97,662</u></u>	<u><u>107,628</u></u>

**Obligations under finance leases**

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



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**15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>2012</u> £000	<u>2011</u> £000
Obligations under finance leases	1,492	2,199
Amounts owed to group undertakings	-	28,046
	<u>1,492</u>	<u>30,245</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>2012</u> £000	<u>2011</u> £000
Less than one year	31,078	657
Between two and five years	1,492	30,245
	<u>32,570</u>	<u>30,902</u>

**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	1 January 2012 £000	Charged / (credited) to profit & loss account £000	Utilised in year £000	31 December 2012 £000
Property dilapidation	3,604	278	(256)	3,626
Onerous leases	1,199	-	(494)	705
Excesses on insured claims	4,955	(1,430)	(362)	3,163
Contract losses	183	(125)	-	58
	<u>9,941</u>	<u>(1,277)</u>	<u>(1,112)</u>	<u>7,552</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 2013 and 2020.

**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.

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**17 LEASE COMMITMENTS**

At 31 December 2012 the company was committed to making the following payments during the next year in respect of operating leases

	<u>2012</u> £000	<u>2011</u> £000
<b>Land and buildings</b>		
Leases which expire		
Within one year	252	205
Within two to five years	1,606	2,052
After more than five years	<u>8,381</u>	<u>8,186</u>
	<u>10,239</u>	<u>10,443</u>
<b>Other</b>		
Leases which expire		
Within one year	54	11
Within two to five years	<u>619</u>	<u>391</u>
	<u>673</u>	<u>402</u>

**18 CALLED UP SHARE CAPITAL**

	<u>2012</u> £000	<u>2011</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>2012</u> £000	<u>2011</u> £000
At the beginning of the year	(195,563)	6,423
Loss for the year	(5,692)	(70,441)
Actuanal loss on pension scheme (net of deferred tax)	(38,129)	(131,773)
Share based payments credit	<u>-</u>	<u>228</u>
At the end of the year	<u>(239,384)</u>	<u>(195,563)</u>

The profit and loss account includes a charge of £nil in relation to share based payments (2011 £228,000). 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 previous parent company, Halcrow Holdings Limited. The charge in 2011 represents the accelerated charge arising from the winding up of the scheme following the purchase of the group by CH2M HILL Companies Ltd.

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<b>20 <u>TRANSLATION RESERVE</u></b>	<b><u>2012</u></b> <b>£000</b>	<b><u>2011</u></b> <b>£000</b>
At the beginning of the year	8,156	8,929
Movement on reserve in the year	<u>(954)</u>	<u>(773)</u>
At the end of the year	<u><u>7,202</u></u>	<u><u>8,156</u></u>

**21 RECONCILIATION OF MOVEMENT IN**

**SHAREHOLDERS' DEFICIT**

	<b><u>2012</u></b> <b>£000</b>	<b><u>2011</u></b> <b>£000</b>
At the beginning of the year	(177,407)	25,352
Loss for the year	(5,692)	(70,441)
Actuarial loss on pension scheme (net of deferred tax)	(38,129)	(131,773)
Movement on translation reserve	(954)	(773)
Share based payments credit	<u>-</u>	<u>228</u>
At the end of the year	<u><u>(222,182)</u></u>	<u><u>(177,407)</u></u>

**22 OPTIONS**

Options in respect of no (zero) ordinary shares of £1 each were outstanding at 31 December 2012 (2011 none) under the group's savings-related share option scheme

There were no options granted during 2012 and the group's share-based payments charge for 2012 is £nil (2011 £228,000) The charge in 2011 represents the accelerated charge arising from the winding up of the scheme following the purchase of the group by CH2M HILL Companies, Ltd

**HALCROW GROUP LIMITED**  
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**23 PENSION COMMITMENTS**

The group 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 group and are invested by independent investment managers.

The main scheme is the Halcrow Pension Scheme which is a defined benefit pension scheme. The Group 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 2012, contributions by the group of £10.5m were made to the main UK pension scheme (2011: £7.5m). Contributions were reviewed as part of the full actuarial valuation of the main scheme with an effective date of 31 December 2008. Under the current schedule of contributions, contributions of £11.6m would be payable in 2013. 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 £0.8m were made to the Halcrow Fox scheme in line with the Group agreement with the Trustees. Contributions of £0.9m were made to the Railways Scheme. Further contributions were made to other smaller arrangements.

The company contributed £5.6m (2011: £7.0m) 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 2011 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 2012 used for the schemes. The tables below also set out as at 31 December 2011 and 31 December 2012 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**

<b>Assumptions</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Price inflation	3.0% p.a.	3.1% p.a.
Discount rate	4.5% p.a.	4.9% p.a.
Pension increases (fixed)	5.0% p.a.	5.0% p.a.
Pension increases (5% LPI)	2.85% p.a.	3.0% p.a.
Salary Growth (on average) *	4.0% p.a.	4.1% p.a.

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**23 PENSION COMMITMENTS (continued)**

The Halcrow Fox scheme and the Railways scheme

<b>Assumptions</b>	<b>2012</b>	<b>2011</b>
Price inflation	3.0% p a	3.1% p a
Discount rate	4.5% p a	4.9% p a
Pension increases (fixed)	5.0% p a	5.0% p a
Pension increases (5% LPI)	2.85% p a	3.0% p a
Salary Growth (on average) *	4.0% p a	4.1% 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 (2011 22.4 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**

<b>Components</b>	<b>2012</b>	<b>2011</b>
Equities	7.2% p a	8.3% p a
Bonds	3.1% p a	3.6% p a
Property	6.8% p a	6.6% p a
Other	2.5% p a	2.7% p a
Overall returns expected over the accounting year	5.81% p a	5.6% 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 2012 was £36,608,000 (2011 £15,376,000)



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**23 PENSION COMMITMENTS (continued)**

<u>Components</u>	<u>31 December 2012</u>		
	<u>Fair Value</u> (schemes in deficit)	<u>Fair Value</u> (scheme in surplus)	<u>Total</u>
	£000	£000	£000
Equities	157,744	-	157,744
Bonds	217,872	-	217,872
Property	19,638	-	19,638
Other	39,315	-	39,315
<u>Balance Sheet</u>			
Total fair value of assets	434,569	-	434,569
Present value of liabilities	(649,547)	-	(649,547)
Deficit in the schemes	(214,978)	-	(214,978)
Employee share of deficit	-	-	-
Adjusted (deficit) / surplus in schemes	(214,978)	-	(214,978)
Related deferred tax	-	-	-
Net pension liabilities	(214,978)	-	(214,978)

<u>Components</u>	<u>31 December 2011</u>		
	<u>Fair value</u> (schemes in deficit)	<u>Fair value</u> (schemes 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)

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**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

**23 PENSION COMMITMENTS (continued)**

Under FRS17, the schemes are represented on the balance sheet as net pension liabilities of £214,978,000 (2011 £179,700,000)

The scheme liabilities under FRS17 moved over the period as follows

	<u>2012</u>	<u>2011</u>
	£000	£000
Scheme liabilities at the beginning of the year	(587,700)	(482,876)
Current service cost	(1,033)	(1,282)
Interest on post-retirement liabilities	(28,427)	(26,673)
Actuarial loss	(51,594)	(94,289)
Benefits paid	19,207	17,420
	<hr/>	<hr/>
Scheme liabilities at the end of the year	<u>(649,547)</u>	<u>(587,700)</u>

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

	<u>2012</u>	<u>2011</u>
	£000	£000
Scheme assets at the beginning of the year	404,520	393,543
Expected return on plan assets	23,143	26,428
Contributions including those of employees	12,648	9,632
Actuarial gain / (loss)	13,465	(7,663)
Benefits paid	(19,207)	(17,420)
	<hr/>	<hr/>
Scheme assets at the end of the year	<u>434,569</u>	<u>404,520</u>

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

	<u>2012</u>	<u>2011</u>
	£000	£000
Current service cost	1,033	1,282
Employee contributions	-	(1,212)
Total operating charge	<hr/> <u>1,033</u>	<hr/> <u>70</u>

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

	<u>2012</u>	<u>2011</u>
	£000	£000
Expected return on pension scheme assets	23,143	26,428
Interest on post-retirement liabilities	<hr/> <u>(28,427)</u>	<hr/> <u>(26,673)</u>
Net finance cost	<hr/> <u>(5,284)</u>	<hr/> <u>(245)</u>



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**23 PENSION COMMITMENTS (continued)**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	£000	£000	£000	£000	£000
Total fair value of assets	434,569	404,520	393,543	355,661	317,341
Present value of liabilities	(649,547)	(587,700)	(482,876)	(456,794)	(396,602)
Deficit in the schemes	<u>(214,978)</u>	<u>(183,180)</u>	<u>(89,333)</u>	<u>(101,133)</u>	<u>(79,261)</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actual return less expected return on scheme assets (£000)	13,465	(7,663)	20,751	22,792	(66,995)
Percentage of scheme assets	3.10%	(1.89%)	5.27%	6.41%	(21.11%)
Experience gains and (losses) arising on schemes' liabilities (£000)	(190)	(7,000)	5,626	(21,900)	(8)
Percentage of the value of the schemes' liabilities	0.03%	1.19%	(1.17%)	4.79%	0.00%
Total amount recognised in the STRGL (£000)	(38,129)	(101,952)	6,015	(28,555)	(16,406)
Percentage of the value of the schemes' liabilities	(5.87%)	(17.35%)	1.25%	(6.25%)	(4.14%)

The cumulative actuarial losses recognised in the STRGL since 1 January 2002 are £270,067,000 (2011 a cumulative loss of £228,919,000)

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

	<u>2012</u>	<u>2011</u>
	£000	£000
Funded defined benefit schemes	6,771	1,095
Defined contribution schemes	<u>6,027</u>	<u>6,843</u>
Charge per note 6b	<u>12,798</u>	<u>7,938</u>

**24 CAPITAL COMMITMENTS**

Capital expenditure contracted for, but not provided for, in the financial statements at 31 December 2012 was £nil (2011 £184,000)

**25 DERIVATIVES NOT INCLUDED AT FAIR VALUE**

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

	Fair value	
	<u>2012</u>	<u>2011</u>
	£000	£000
Forward foreign exchange contracts	-	<u>(242)</u>

The company has previously used 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. During 2012 all outstanding external contracts were cancelled and foreign currency exposures were hedged internally within the CH2M HILL group.

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**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.

**The Halcrow Trust**

During the year the group received £nil in interest from the Halcrow Trust (2011: £48,000). There were no loans between the group and the Halcrow Trust at 31 December 2012 (2011: £nil).

**CH2M HILL Companies, Ltd and subsidiary companies**

During the year affiliate turnover was received of £6,728,922 (2011: £nil), direct costs were charged of £641,596 (2011: £nil), administrative costs were charged of £589,145 (2011: £nil) and interest was charged to the company on loan balances amounting to £1,800 (2011: £nil). Net creditor balances due to the parent company and to fellow subsidiary companies at 31 December 2012 were £767,537 (2011: £nil).

**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](http://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 International Partnership	100%
Halcrow Water Services Limited	100%
Yolles Partnership Limited	100%
Sir William Halcrow and Partners Limited	100%

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	