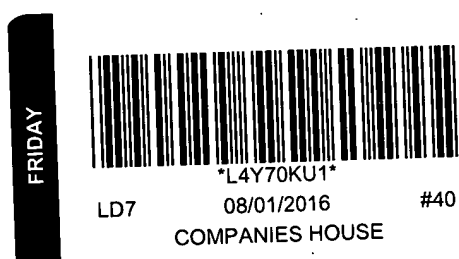


HALCROW GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

REGISTERED NUMBER: 03415971



HALCROW GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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HALCROW GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The Strategic report is prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Our Business

We are an employee-controlled professional engineering services firm providing engineering, consulting, design, design for design-build, procurement, operations and maintenance, and technical services in select markets around the world.

We provide services to a diverse customer base. Our clients include public and private sector organizations around the world, including local, regional and national governments, asset owners, international funding agencies, regulators, financial institutions, contractors, developers and operators. We believe we provide our clients with innovative project delivery using cost-effective approaches and advanced technologies.

Our revenues are dependent upon our ability to attract and retain qualified and productive employees, identify business opportunities, allocate our labour resources to profitable markets, secure new contracts, execute existing contracts and maintain existing client relationships. Moreover, as a professional services company, the quality of the work generated by our employees is integral to our revenue generation.

The ultimate parent undertaking is CH2M HILL Companies, Ltd ("CH2M HILL"), based in Denver Colorado, USA. The results of the Company are consolidated by CH2M HILL and copies of CH2M HILL financial statements are available on the Group's website www.ch2m.com

Principal Risks and Uncertainties Related to Our Business

Unpredictable economic cycles - demand for our engineering and other services is affected by the general level of economic activity in the markets in which we operate. Our customers and the markets in which we compete to provide services are likely to experience periods of economic decline from time to time. The decline in oil and other commodity prices in late 2014 could affect demand for our services and associated pricing. We are engaged in a highly competitive business in which most of our contracts with public sector clients are awarded through a competitive bidding process. In both the private and public sectors, acting either as a prime contractor or as a subcontractor, we may join with other firms that we otherwise compete with to form a team to compete for a single contract. Because a team can often offer stronger combined qualifications than any firm standing alone, these teaming arrangements can be very important to the success of a particular contract competition or proposal. Consequently we maintain a network of relationships with other companies to form teams that compete for particular contracts and projects.

Regulatory challenges - the global nature of our business creates regulatory challenges, where failure to comply with anti-bribery and other governmental laws (whether directly or through acts of others, intentionally or through inadvertence) could, among other things, harm our reputation. While our staff are trained on the Foreign Corrupt Practices Act, the United Kingdom Bribery Act and other anti-corruption laws and we have procedures and controls in place to monitor compliance, situations outside of our control may arise that could potentially put us in violation of these regulations and thus negatively impact our business. Within the group we have ethics policies that are applicable to all employees entitled "CH2M HILL Employee Ethics and Business Conduct Principles" that mandates rules of conduct to all employees including all senior executives and directors. We maintain a confidential telephone and web-based hotline, where employees can seek guidance or report potential violations of laws, CH2M HILL policies or rules of conduct. The policy is available on our website at www.ch2m.com/corporate/about_us/business_ethics.asp.

Foreign exchange risk - the group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. We attempt to minimise our exposure to this by denominating our contracts in the currencies of our expenditures, obtaining escalation provisions for projects in inflationary economies or by using foreign exchange forward contracts to hedge the exposures.

Credit risk - this is primarily attributable to the company's 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.

Defined benefit pension scheme liability - the ongoing funding obligations for these schemes vary from time to time depending on actuarial assumptions outside of the Company's control, such as discount rates, inflation rates, scheme investment returns and life expectancy of scheme members. In order to maintain an adequate funding position over time, the Company continuously reviews these assumptions and mitigates these risks by working with the pension scheme trustees and with actuarial and investment advisers. The Company maintains an ongoing dialogue with its pension scheme trustees to negotiate a reasonable schedule for cash contributions as required by UK regulations. If, however, we are unable to agree such a schedule in the future, or if certain assumptions that are outside our control, such as discount rates, inflation rates, scheme investment returns or life expectancy change over time, the Company may need to make cash payments to the schemes in order to meet funding obligations that could have an adverse effect on our financial position and cash flows.

Going concern - the Company is a subsidiary of Halcrow Holdings Limited and is dependent on the parent for ongoing funding. The Company's trading performance is closely linked to that of Halcrow Holdings Limited. Further details of the Directors' assessment of the Company and its ability to continue as a going concern can be found in Note 1(c) to the financial statements.

Key Performance Indicators

The company has a number of key performance indicators (KPI's), both financial and non-financial. Financial KPI's such as turnover and gross margin are covered in the Business Review section; non-financial KPI's such as client focus, safety and people investment are covered in the Market Outlook section.

Business Review

Overall the results continued to improve in 2014. Turnover remained largely steady, decreasing from £232.0 million in 2013 to £229.8 million in 2014, a decrease of 1 per cent. A profit before taxation of £0.7 million in 2013 increased to a profit before taxation of £8.4 million in 2014.

United Kingdom, Ireland and Europe - This region accounted for 94 per cent of the business in 2014, an increase of 0.5 per cent. Revenues held steady, with turnover moving from £216.5 million in 2013 to £215.5 million in 2014. Gross margins improved during the year. Whilst the Transportation market has certainly picked up in the last 12-18 months, competition for market share in the UK, as well as in the Water market, is fierce. The Transportation market continued to be boosted by large volumes of work coming mainly from Framework agreements within the Highways business. Results are also supported by the large UK infrastructure programmes in which the company is engaged, including Crossrail. Growth in our Transportation business was masked somewhat by a change in focus away from the Urban Planning and Buildings Sectors in the UK.

Middle East and Africa - Turnover decreased from £6.8 million in 2013 to £4.7 million in 2014, a decrease of 31 per cent. With increasing competition, new projects were awarded with lower gross margins, and together with increased costs incurred on a few projects, gross margins reduced in the year.

The Americas - turnover increased in this region, moving from £5.0 million in 2013 to £6.7 million in 2014, due largely to extensions of work on existing projects, an increase of 34 per cent. Settlement of a claim and receipt of funds, where costs were paid out in prior years, helped to improve gross margins in this region.

HALCROW GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

Asia and Australasia - Turnover decreased in this region, moving from £3.7 million in 2013 to £2.9 million in 2014, a decrease of 22 per cent.

Restructuring - In September 2014, we commenced certain restructuring activities in order to achieve important business objectives, including enhancing client service, improving efficiency, reducing risk and creating more opportunity for profitable growth across the Halcrow group. These restructuring plans included such items as the evaluation of certain lines of business, a number of employee terminations, the closure of certain facilities and reducing overhead costs. During the year to 31 December 2014 we incurred redundancy costs of £2.2 million and made an onerous lease provision of £1.7 million relating to the closure of an office, total restructuring costs of £3.9 million. Once all restructuring activities are completed we expect these to result in significant annualised cost savings.

Administrative expenses - These costs decreased in the year, moving from £66.2 million in 2013 to £54.1 million in 2014, a reduction of £12.1 million. A large part of this reduction was as a result of the restructuring of support functions and further office consolidations, leading to a benefit in terms of reduced costs.

Market Outlook

United Kingdom, Ireland and Europe - Overall we are expecting growth in our market position in the established transport business. The major market, the UK, saw a General Election in May 2015. The results from this are expected to have a positive impact for our business. The UK economy remains stable and on an upward trajectory with low interest rates and low inflation. Governments across Europe such as Poland, Romania, Ireland and the UK generally appear committed to improving infrastructure and we would hope to capitalise on this situation. The water market will continue to benefit from the stability of long term involvement with our major programmes and key framework contracts in the UK, whilst capitalising on appropriate opportunities in Europe.

Middle East and Africa - We expect limited growth in the Middle East due to the small size of this operation. The UAE is expected to spend over US\$300 billion by 2030 on infrastructure development as the construction sector bounces back after the economic downturn in 2008. We are expecting to achieve growth in infrastructure projects in Dubai and Abu Dhabi.

The Americas - We expect to wind down, merge and shut down our operations in the Americas over the next couple of years.

Asia and Australasia - Our presence is largely in Malaysia and we intend to expand our market share with existing clients.

HALCROW GROUP LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

Client Focus - Enhancements continued to be made to the client service team to improve the ability to understand and respond to client issues and needs during the year. Improvements continue in 2015 to drive continued improvement to client relationship management, sales efficiency and cross market opportunities. We believe this will result in further improving the cost effectiveness of our offering to our clients.

Safety - The Halcrow organisation is proud to report millions of work hours without a lost time incident in 2014 due to a continuing and relentless focus on operating safely in all markets.

People Investment - To invest in staff across the enterprise, we have significantly increased spending for learning and development. The business and accounting systems were upgraded in July 2014. All staff were given appropriate training on the new project delivery tools and accounting systems, enhancing efficiency across the group. 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 a variety of professional network groups within the group organisation, such as the Women's Network and one for junior to mid-level staff.

By order of the board of directors on 6 January 2016



T S Chaudhary
Secretary

HALCROW GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report on the affairs of the company, together with the audited financial statements for the year ended 31 December 2014.

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 11 and are outlined in the strategic report.

Going Concern

The Company is a subsidiary of Halcrow Holdings Limited and is dependent on the parent for ongoing funding. The Company's trading performance is closely linked to that of Halcrow Holdings Limited. Further details of the Directors' assessment of the Company and its ability to continue as a going concern can be found in Note 1(c) to the financial statements.

Directors

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

A J F Coates (resigned 28 November 2014)

S E Harrington (resigned 16 March 2015)

B R Shelton

J C Rowntree (appointed 12 January 2015)

S J Hannis (appointed 12 January 2015)

HALCROW GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014
(continued)

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 2014
(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:



T S Chaudhary
Secretary
6 January 2016

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 2014

The directors are responsible for preparing the Strategic Report and the Directors' 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 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 2014 set out on pages 11 to 33. 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 8, 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.

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 2014 and of its profit 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 disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. It is the principal subsidiary of Halcrow Holdings Limited. At 31 December 2014, after a pension liability of £295.6m (2013 £242.0m) and funding, due on demand, to its ultimate parent of £119.4m (2013 £107.6m), Halcrow Holdings Limited had net liabilities of £361.2m (2013 £291.9m). It also had net current liabilities. Given Halcrow Holdings Limited balance sheet position, the ultimate parent is considering *inter alia* whether to continue to fund the Group. This matter, along with the other matters explained in note 1, indicate the existence of material uncertainty that 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 arise from the going concern basis not being appropriate.

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 Strategic Report and 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.



Sean McCallion (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

8 January 2016

HALCROW GROUP LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	229,801	231,975
Cost of sales		<u>(151,333)</u>	<u>(156,031)</u>
Gross profit		78,468	75,944
Administrative expenses		<u>(54,137)</u>	<u>(66,190)</u>
Operating profit	3	24,331	9,754
Exceptional costs analysed as:			
Restructuring costs	4	(3,903)	-
Provision against cost of investment	13	(2,962)	50
Share of profit of joint ventures	12	-	29
Interest receivable and similar income	5	965	427
Interest payable and similar charges	6	<u>(10,024)</u>	<u>(9,569)</u>
Profit on ordinary activities before taxation		8,407	691
Tax charge on ordinary activities	9	<u>(2,476)</u>	<u>(2,772)</u>
Profit / (Loss) for the year after taxation	20,22	<u><u>5,931</u></u>	<u><u>(2,081)</u></u>

All results are derived from continuing operations.

Notes on pages 14 to 33 form part of these financial statements.

HALCROW GROUP LIMITED
BALANCE SHEET AT 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	11	6,547	6,499
Investments in joint ventures	12	293	322
Other investments	13	7,633	10,595
		<u>14,473</u>	<u>17,416</u>
Current assets			
Debtors: amounts falling due within one year	14	79,077	68,666
Debtors: amounts falling due after more than one year	14	656	468
Cash at bank and in hand		6,643	9,884
		<u>86,376</u>	<u>79,018</u>
Creditors: amounts falling due within one year	15	(115,109)	(109,891)
Net current liabilities		<u>(28,733)</u>	<u>(30,873)</u>
Total assets less current liabilities		<u>(14,260)</u>	<u>(13,457)</u>
Creditors: amounts falling due after more than one year	16	-	(730)
Provisions for liabilities and charges	17	(6,564)	(5,722)
Net liabilities (excluding pension liability)		<u>(20,824)</u>	<u>(19,909)</u>
Net pension liability	23	(286,322)	(232,316)
Net liabilities (including pension liability)		<u>(307,146)</u>	<u>(252,225)</u>
Capital and reserves			
Called up share capital	19	10,000	10,000
Profit and loss account	20	(317,509)	(262,397)
Translation reserve	21	363	172
Shareholder's deficit	22	<u>(307,146)</u>	<u>(252,225)</u>

Notes on pages 14 to 33 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 6 January 2016. They were signed on its behalf by:



J C Rowntree
Director

HALCROW GROUP LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	<u>2014</u> £'000	<u>2013</u> £'000
Profit / (loss) for the year after taxation		5,931	(2,081)
Actuarial loss relating to the pension scheme	23	(61,043)	(20,932)
Movement on translation reserve	21	<u>191</u>	<u>(7,030)</u>
Total gains and (losses) recognised relating to the financial year		<u>(54,921)</u>	<u>(30,043)</u>

Notes on pages 14 to 33 form part of these financial statements.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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) New UK GAAP

FRS 100, 101 and 102. FRS100 sets out the application of financial reporting requirements in the UK and Republic of Ireland and FRS 101 'IFRS with reduced disclosures' outlines the reduced disclosure framework available for use by qualifying entities choosing to report under IFRS. FRS 102 is applicable in the UK and Republic of Ireland and is known as 'new UK GAAP'. The mandatory effective date for the new framework of reporting is for accounting periods beginning on or after 1 January 2015. The Company will apply either FRS 101 ('IFRS with reduced disclosures') or FRS 102 ('new UK GAAP'). A full analysis is currently being undertaken to identify the most appropriate option.

(c) 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 the principal subsidiary of Halcrow Holdings Limited, and a significant portion of its assets and liabilities are attributable to the Company, in particular its pension deficit. The Company is also dependent on Halcrow Holdings Limited and the ultimate parent CH2M HILL Companies, Ltd for ongoing funding.

The financial statements of Halcrow Holdings Limited, approved on 6 January 2016, disclose the following circumstances:

"The Group recorded operating profit, before one-off costs, of £16.3m (2013, £18.0m). After one-off costs, restructuring costs, significant ongoing finance costs of £15.7m (2013, £15.3m) arising almost wholly on funding from CH2M HILL and on the group's significant net pension liabilities, and after tax, the Group recorded a loss of £8.5m (2013 profit of £9.4m). The Group's net liabilities increased to £361.2m (2013 £291.9m) due to an increase of £59.7m on the pension deficit, increasing that deficit to £295.6m (2013 £242.0m). It also had net current liabilities of £71.4m (2013 £56.2m).

Whilst the Board considers that significant improvements in the operating performance of the Group have continued during the last financial year (in part through additional restructuring), and are optimistic that its trading position can continue to be improved, it is not certain that it will improve sufficiently to service its finance and pension costs or to restore the balance sheet to a position that enables the Group to repay debt owed to its parent and meet the pension liability. Further, other than available cash balances and its ability to manage working capital, the Group and Company have no immediate access to funding other than the secured and unsecured loan funding provided by its ultimate parent. At the date of approving these financial statements that funding due was £111.3m (31 December 2014 £119.4m, 2013 £107.6m) and is repayable on demand.

The Board is considering what further actions might be taken to improve the trading results further and to address the Group's financial position. The ultimate parent, CH2M HILL, having previously indicated that it required a restructuring of certain of the Group's obligations, continues to analyse its options going forward. The Board believe that the Group's operations can bring long-term economic value to CH2M HILL, which is committed to the business operated by the Company and the Group as an important part of its global strategy. However, the ultimate parent has indicated that this is constrained by the obligations of the Company and the Group, in particular its pension liabilities. If those obligations cannot be restructured in a mutually beneficial way, then one option for the ultimate parent would be withdraw its funding for the Company and Group."

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(continued)

1 ACCOUNTING POLICIES (continued)

These circumstances, which are directly relevant to the Company, as well as its ultimate dependence on CH2M HILL Companies, Ltd for funding represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would arise from the going concern basis not being appropriate.

(d) 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.

(e) 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.

(f) 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.

(g) Fixed assets

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

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

1 ACCOUNTING POLICIES (continued)

(h) Depreciation of tangible fixed assets

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

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

Short leasehold property	Period of lease
Motor vehicles	20%
Furniture and equipment:	
Computers	20% - 33%
Others	10% - 33%

(i) 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.

(j) 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.

(k) 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.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

1 ACCOUNTING POLICIES (continued)

(l) 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.

(m) 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.

(n) 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.

(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.

2 TURNOVER

The geographical analysis of turnover by origin is set out below:

	<u>2014</u>	<u>2013</u>
	£000	£000
United Kingdom, Ireland and Europe	215,461	216,518
The Americas	6,708	5,019
Middle East and Africa	4,725	6,772
Asia and Australasia	2,907	3,666
	<u>229,801</u>	<u>231,975</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
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

3 OPERATING PROFIT	<u>2014</u>	<u>2013</u>
	£000	£000
Operating profit is stated after charging/(crediting):		
Auditor's remuneration for audit	190	200
Depreciation of tangible fixed assets - owned	943	1,031
- leased	701	701
Loss on sale of tangible fixed assets	50	-
Foreign exchange loss / (gain)	272	(7,016)
Increase / (Decrease) in bad debt provisions	79	(512)
Redundancy and other related costs	-	378
Operating leases: Rent of properties payable	4,719	5,528
Motor vehicles	434	598
	<u>434</u>	<u>598</u>

One director was employed by a related undertaking and was remunerated by that company. That director's emoluments for the years ended 31 December 2014 and 31 December 2013 were charged in the relevant financial statements and the director received no emoluments in respect of qualifying services from this company. The portion of remuneration relating to this company was £nil (2013: £nil).

4 RESTRUCTURING COSTS	<u>2014</u>	<u>2013</u>
	£000	£000
Redundancy and other related costs	2,176	-
Onerous lease provision	<u>1,727</u>	<u>-</u>
	<u>3,903</u>	<u>-</u>

Redundancy and other related costs were incurred in the year, together with an onerous lease provision being made relating to the closure of an office, following implementation of a restructuring programme.

5 INTEREST RECEIVABLE AND SIMILAR INCOME	<u>2014</u>	<u>2013</u>
	£000	£000
Interest receivable on:		
Short term bank deposits	2	12
Loans to group undertakings	963	407
Other loans	<u>-</u>	<u>8</u>
	<u>965</u>	<u>427</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES	<u>2014</u>	<u>2013 re-presented *</u>
	£000	£000
Interest payable on:		
Finance leases	81	157
Net interest charge on pension schemes	7,989	9,075
Bank loans and overdrafts	9	12
Loans from group undertakings	1,033	-
Other	<u>912</u>	<u>325</u>
	<u>10,024</u>	<u>9,569</u>

2013 figures are re-presented to split out interest charges between Bank loans and overdrafts and Other. There is no impact on the financial statements other than to the disclosure in this note.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

7 EMPLOYEE INFORMATION

	<u>2014</u>	<u>2013</u>
	Number	Number
(a) The average number of persons, including directors, employed by the company during the year was:		
Professional and technical	2,323	2,374
Administrative	165	215
	<u>2,488</u>	<u>2,589</u>
	<u>2014</u>	<u>2013</u>
	£000	£000
(b) The aggregate payroll costs of these persons were as follows:		
Wages and salaries	105,019	105,197
Social security costs	10,654	10,261
Pension costs	15,704	16,845
Redundancy costs	2,176	378
	<u>133,553</u>	<u>132,681</u>

8 DIRECTORS' EMOLUMENTS

	<u>2014</u>	<u>2013</u>
	£000	£000
Staff costs include the following emoluments of directors of Halcrow Group Limited:		
Aggregate emoluments	417	427
Compensation for loss of office	261	-
Contributions to money purchase pension arrangements	37	28
	<u>715</u>	<u>455</u>
Aggregate emoluments include amounts paid to:		
The highest paid director		
Emoluments	554	288
Contributions to money purchase pension arrangement	26	18
The highest paid director had benefits under the Halcrow Pension Scheme as follows:		
Accrued annual pension at end of the year	<u>37</u>	<u>36</u>

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2014</u>	<u>2013</u>
	£000	£000
United Kingdom corporation tax at 21.5% (2013: 23.25%)		
Current year	180	140
Adjustment to prior year provision	(353)	2,477
Overseas tax		
Current year	879	155
Adjustment to prior year provision	<u>1,770</u>	<u>-</u>
Total current tax	<u><u>2,476</u></u>	<u><u>2,772</u></u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 21.5% (2013: 23.25%). 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>2014</u>	<u>2013</u>
	£000	£000
Profit on ordinary activities before tax	<u>8,407</u>	<u>691</u>
Tax on profit on ordinary activities at standard rate 21.5% (2013: 23.25%)	1,808	161
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	1,012	911
Capital allowances for period in excess of depreciation	405	-
Other timing differences	(1,495)	-
Tax losses utilised	(592)	(787)
Group relief surrendered	(1,139)	-
Overseas tax suffered	879	155
Overseas tax charge re prior periods	1,771	-
United Kingdom tax (credit)/charge re prior periods	(353)	2,477
Additional addback/(deduction) for R&D expenditure	<u>180</u>	<u>(145)</u>
Total current tax	<u><u>2,476</u></u>	<u><u>2,772</u></u>

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) was substantively enacted on 3 July 2012. A further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

A deferred tax asset of £65 million (2013: £51 million) has not been recognised in respect of timing differences of £326 million (2013: £255.2 million) relating to depreciation, tax losses and pension expenses as there is insufficient evidence that the losses will be utilised in the foreseeable future. The asset would be recovered if sufficient future taxable profits were to be made in the appropriate jurisdictions.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

10 INTANGIBLE ASSETS - GOODWILL

	Goodwill
COST	£000
1 January 2014 and 31 December 2014	<u>2,168</u>
AMORTISATION	
1 January 2014 and 31 December 2014	<u>2,168</u>
NET BOOK VALUE	
31 December 2013 and 31 December 2014	<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.

11 TANGIBLE FIXED ASSETS

	Improvements to short leasehold properties £000	Motor vehicles £000	Furniture and equipment £000	TOTAL £000
COST				
1 January 2014	6,625	244	21,479	28,348
Additions	1,266	-	526	1,792
Disposals	(96)	(57)	(446)	(599)
Exchange movement	(72)	(12)	(33)	(117)
31 December 2014	<u>7,723</u>	<u>175</u>	<u>21,526</u>	<u>29,424</u>
DEPRECIATION				
1 January 2014	2,442	231	19,176	21,849
Charge for year	662	9	973	1,644
Disposals	(88)	(56)	(401)	(545)
Exchange movement	(39)	(9)	(23)	(71)
31 December 2014	<u>2,977</u>	<u>175</u>	<u>19,725</u>	<u>22,877</u>
NET BOOK VALUE				
31 December 2014	<u>4,746</u>	<u>-</u>	<u>1,801</u>	<u>6,547</u>
31 December 2013	<u>4,183</u>	<u>13</u>	<u>2,303</u>	<u>6,499</u>

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

11 TANGIBLE FIXED ASSETS (continued)

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

	<u>2014</u>	<u>2013</u>
	£000	£000
COST		
At 1 January	3,974	3,974
Additions	-	-
At 31 December	<u>3,974</u>	<u>3,974</u>
DEPRECIATION		
At 1 January	2,688	1,987
Charge for year	701	701
At 31 December	<u>3,389</u>	<u>2,688</u>
NET BOOK VALUE		
At 31 December	<u>585</u>	<u>1,286</u>

12 INVESTMENTS IN JOINT VENTURES

	£000
At 1 January 2014 and 31 December 2014	322
Additions	7
Share of profits earned in the year	-
Investment return	(6)
Exchange Movements	<u>(30)</u>
31 December 2014	<u>293</u>

Investments were made in Halcrow Fairhurst (£5,000) Halcrow Doran (£1,000) and Halcrow Hyder (£1,000) in the year. £6,000 of the investment in Broadlands Environmental Services was returned during the year.

13 OTHER INVESTMENTS

	Shares in subsidiary undertakings £000
COST	
At 1 January 2014 and 31 December 2014	<u>13,377</u>
PROVISIONS	
1 January 2014	2,782
Provision in year	<u>2,962</u>
31 December 2014	<u>5,744</u>
NET BOOK VALUE	
31 December 2014	<u>7,633</u>
31 December 2013	<u>10,595</u>

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

13 OTHER INVESTMENTS (continued)

None of the investments included in the above amounts are listed on a recognised investment exchange. The subsidiary undertakings are shown in note 27 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.

14 DEBTORS

	<u>2014</u> £000	<u>2013</u> £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	21,590	21,897
Amounts recoverable on contracts	23,278	19,451
Amounts owed by group undertakings	20,990	16,722
Amounts owed by related undertakings	9,087	6,653
United Kingdom corporation tax	466	-
Other debtors	1,002	1,382
Prepayments and accrued income	<u>2,664</u>	<u>2,561</u>
	<u>79,077</u>	<u>68,666</u>
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
United Kingdom corporation tax	<u>656</u>	<u>468</u>
	<u>656</u>	<u>468</u>
	<u>79,733</u>	<u>69,134</u>

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2014</u> £000	<u>2013</u> £000
Bank loans and overdrafts	30,112	29,559
Payments on account	14,460	12,118
Trade creditors	5,235	5,443
Obligations under finance leases	730	763
Amounts owed to group undertakings	23,660	28,695
Amounts owed to related party undertakings	13,228	330
United Kingdom corporation tax	1,576	1,426
Other taxation and social security	7,966	8,727
Other creditors	3,769	6,471
Accruals and deferred income	<u>14,373</u>	<u>16,359</u>
	<u>115,109</u>	<u>109,891</u>

Obligations under finance leases

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

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2014</u>	<u>2013</u>
	£000	£000
Obligations under finance leases	<u>-</u>	<u>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>2014</u>	<u>2013</u>
	£000	£000
Less than one year	30,842	30,322
Between two and five years	-	730
After more than five years	<u>-</u>	<u>-</u>
	<u>30,842</u>	<u>31,052</u>

17 PROVISIONS FOR LIABILITIES AND CHARGES

	1 January 2014	Charged / (credited) to profit & loss account	Utilised in year	31 December 2014
	£000	£000	£000	£000
Property dilapidation	3,203	464	(1,350)	2,317
Onerous leases	-	1,727	-	1,727
Excesses on insured claims	2,519	401	(400)	2,520
	<u>5,722</u>	<u>2,592</u>	<u>(1,750)</u>	<u>6,564</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 2014 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 to the extent that it is considered probable that an obligation will arise. The provision will be utilised over the period of the related claim.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

18 LEASE COMMITMENTS

At 31 December 2014 the company was committed to making the following payments during the next year in respect of operating leases:

	<u>2014</u> £000	<u>2013</u> £000
Land and buildings		
Leases which expire:		
Within one year	48	332
Within two to five years	1,059	452
After more than five years	<u>3,378</u>	<u>4,406</u>
	<u>4,485</u>	<u>5,190</u>
Other		
Leases which expire:		
Within one year	70	103
Within two to five years	<u>255</u>	<u>353</u>
	<u>325</u>	<u>456</u>

19 CALLED UP SHARE CAPITAL

	<u>2014</u> £000	<u>2013</u> £000
Called up, allotted and fully paid:		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

20 PROFIT AND LOSS ACCOUNT

	<u>2014</u> £000	<u>2013</u> £000
At the beginning of the year	(262,397)	(239,384)
Profit / (Loss) for the year	5,931	(2,081)
Actuarial loss on pension scheme (net of deferred tax)	<u>(61,043)</u>	<u>(20,932)</u>
At the end of the year	<u>(317,509)</u>	<u>(262,397)</u>

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

21 TRANSLATION RESERVE	<u>2014</u>	<u>2013</u>
	£000	£000
At the beginning of the year	172	7,202
Movement on reserve in the year	<u>191</u>	<u>(7,030)</u>
At the end of the year	<u><u>363</u></u>	<u><u>172</u></u>

22 RECONCILIATION OF MOVEMENT IN

SHAREHOLDER'S DEFICIT	<u>2014</u>	<u>2013</u>
	£000	£000
At the beginning of the year	(252,225)	(222,182)
Profit / (Loss) for the year	5,931	(2,081)
Actuarial loss on pension scheme	(61,043)	(20,932)
Movement on translation reserve	<u>191</u>	<u>(7,030)</u>
At the end of the year	<u><u>(307,146)</u></u>	<u><u>(252,225)</u></u>

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 2014, contributions by the group of £13.7m were made to the main UK pension scheme (2013: £11.4m). Contributions were last agreed 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, expected contributions of £14.5m would be payable in 2015. 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 £1.2m were made to the Railways Scheme. Further contributions were made to other smaller arrangements.

The company contributed £6.9m (2013: £5.3m) 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 2014 used for the schemes. The tables below also set out as at 31 December 2013 and 31 December 2014 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.

HALCROW GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

23 PENSION COMMITMENTS (continued)

Assumptions	2014	2013
Price inflation (RPI)	3.15% p.a.	3.5% p.a.
Price inflation (CPI)	2.15% p.a.	
Discount rate	3.6% p.a.	4.4% p.a.
Pension increases (fixed)	5.0% p.a.	5.0% p.a.
Pension increases (5% LPI)	2.95% p.a.	3.15% p.a.
Salary Growth (on average) *	3.65% p.a.	4.0% p.a.

* The salary increase assumption for the UK is of limited relevance, as the link to final salary ceased for the vast majority of current UK employees at the 2012 year end.

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 22.7 years (2013: 22.4 years). Allowance is made for future improvements in life expectancy, so a pensioner in the UK reaching the age of 65 in 2033 would be expected to live for a further 24.8 years (2013: 24.7 years).

Expected return on assets

Components	2014	2013
Equities	6.3% p.a.	6.55% p.a.
Corporate Bonds	3.6% p.a.	3.7% p.a.
Government Bonds	2.1% p.a.	
Property	5.45% p.a.	6.6% p.a.
Other	2.55% p.a.	2.8% p.a.
Overall returns expected over the accounting year	4.86% p.a.	4.63% 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 2014 was £47,457,000 (2013: £32,145,000).

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(continued)

23 PENSION COMMITMENTS (continued)

<u>Components</u>	<u>31 December 2014</u>		
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Total</u>
	(schemes in deficit)	(schemes in surplus)	
	£000	£000	£000
Equities	169,720	6,071	175,791
Bonds	277,308	13,169	290,477
Property	8,543	955	9,498
Other	23,343	15	23,358
<u>Balance Sheet</u>			
Total fair value of assets	478,914	20,210	499,124
Present value of liabilities	(765,593)	(18,984)	(784,577)
Deficit in the schemes	(286,679)	1,226	(285,453)
Amount not recognised due to paragraph 37 restriction	-	(869)	(869)
Adjusted (deficit) / surplus in schemes	(286,679)	357	(286,322)
Related deferred tax	-	-	-
Net pension liabilities	(286,679)	357	(286,322)

<u>Components</u>	<u>31 December 2013</u>		
	<u>Fair value</u>	<u>Fair value</u>	<u>Total</u>
	(schemes in deficit)	(schemes in surplus)	
	£000	£000	£000
Equities	166,481	5,892	172,373
Bonds	238,467	11,385	249,852
Property	8,158	793	8,951
Other	27,083	14	27,097
<u>Balance Sheet</u>			
Total fair value of assets	440,189	18,084	458,273
Present value of liabilities	(672,789)	(17,617)	(690,406)
Deficit in the schemes	(232,600)	467	(232,133)
Amount not recognised due to paragraph 37 restriction	-	(183)	(183)
Adjusted (deficit) / surplus in schemes	(232,600)	284	(232,316)
Related deferred tax	-	-	-
Net pension liabilities	(232,600)	284	(232,316)

HALCROW GROUP LIMITED
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 £286,322,000 (2013: £232,316,000).

The scheme liabilities under FRS17 moved over the period as follows:

	<u>2014</u>	<u>2013</u>
	£000	£000
Scheme liabilities at the beginning of the year	(690,406)	(649,547)
Current service cost	(934)	(926)
Employee contributions	(207)	(207)
Interest on post-retirement liabilities	(29,948)	(28,713)
Actuarial loss	(85,855)	(33,256)
Benefits paid	22,773	22,243
	<hr/>	<hr/>
Scheme liabilities at the end of the year	(784,577)	(690,406)

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

	<u>2014</u>	<u>2013</u>
	£000	£000
Scheme assets at the beginning of the year	458,273	434,569
Expected return on plan assets	22,132	19,836
Employer contributions	15,960	13,595
Employee contributions	207	207
Actuarial gain	25,325	12,309
Benefits paid	(22,773)	(22,243)
	<hr/>	<hr/>
Scheme assets at the end of the year	499,124	458,273

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

	<u>2014</u>	<u>2013</u>
	£000	£000
Current service cost	934	926
Total operating charge	<hr/>	<hr/>
	934	926

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

	<u>2014</u>	<u>2013</u>
	£000	£000
Expected return on pension scheme assets	22,132	19,836
Interest on post-retirement liabilities	(29,948)	(28,713)
Adjustment due to paragraph 37	<hr/>	<hr/>
	(173)	(198)
	<hr/>	<hr/>
Net finance cost	(7,989)	(9,075)

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23 PENSION COMMITMENTS (continued)

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	£000	£000	£000	£000	£000
Total fair value of assets	499,124	458,273	434,569	404,520	393,543
Present value of liabilities	(784,577)	(690,406)	(649,547)	(587,700)	(482,876)
Deficit in the schemes	<u>(285,453)</u>	<u>(232,133)</u>	<u>(214,978)</u>	<u>(183,180)</u>	<u>(89,333)</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actual return less expected return on scheme assets (£000)	25,325	12,309	13,465	(7,663)	20,751
Percentage of scheme assets	5.07%	2.69%	3.10%	(1.89%)	5.27%
Experience gains and (losses) arising on schemes' liabilities (£000)	(2,297)	(316)	(190)	(7,000)	5,626
Percentage of the value of the schemes' liabilities	0.29%	0.05%	0.03%	1.19%	(1.17%)
Actuarial gains and (losses) arising during the period	(60,530)	(20,947)	(38,129)	(101,952)	6,015
Effect of the limit in paragraph 37	(513)	15	-	-	-
Total amount recognised in the STRGL (£000)	(61,043)	(20,932)	(38,129)	(101,952)	6,015
Percentage of the value of the schemes' liabilities	(7.78%)	(3.03%)	(5.87%)	(17.35%)	1.25%

The cumulative actuarial losses recognised in the STRGL since 1 January 2002 are £349,023,000 (2013: a cumulative loss of £287,980,000).

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

	<u>2014</u>	<u>2013</u>
	£000	£000
Funded defined benefit schemes	8,468	10,892
Defined contribution schemes	<u>7,236</u>	<u>5,953</u>
Charge per note 7b	<u>15,704</u>	<u>16,845</u>

24 CAPITAL COMMITMENTS

Capital expenditure contracted for, but not provided for, in the financial statements at 31 December 2014 was £nil (2013: £nil).

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(continued)

25 CONTINGENT LIABILITIES

	<u>2014</u>	<u>2013</u>
	£000	£000
Performance and advance payment bonds provided by banks	<u>3,919</u>	<u>-</u>

We are party to various legal actions arising in the normal course of business. These actions often take years to complete and many result in no adverse action or alternatively could result in settlement. Damages assessed in connection with and the cost of defending such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, management believes that proceedings and legal actions currently pending would not result in a material adverse effect on our results of operations or financial condition even if the final outcome is adverse to our company.

In 2003, Halcrow Group Limited ("HGL") entered into a subcontract agreement to design concrete bases for a Wind Farm in the United Kingdom. HGL finished the design and the turbines were constructed from 2006. Cracking has been found in the concrete bases. In December 2013 we were notified that the ultimate client sued the contractor seeking remedial costs of £2.7 million and alleged loss of generating income of £2.2 million. The contractor joined with HGL as a defendant in the litigation in May 2014. Based on information presently known to management, we intend to vigorously defend the claims brought against us and we believe that the outcome of this dispute will not have a material adverse effect on our financial condition, cashflows or results of operations.

In 2011, Halcrow Group Limited ("HGL") entered into a contract to design an intake/outfall system for a power plant in South America. The contractor claims that HGL's reports contained errors and asserts it relied on the information contained in the reports. The contractor alleges that it incurred additional cost and delays to correct the proposed errors and has claimed an amount of circa £11.5 million in damages. Based on information presently known to management, we intend to vigorously defend the claims brought against us and we believe that the outcome of this dispute will not have a material adverse effect on our financial condition, cashflows or results of operations.

26 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.

CH2M HILL Companies, Ltd and subsidiary companies

During the year affiliate turnover was received of £32,438,641 (2013: £22,771,178), direct costs were charged of £5,469,552 (2013: £2,496,605), administrative costs were charged of £2,437,061 (2013: £2,969,548) and interest was charged to the company on loan balances amounting to £810,533 (2013: £nil). Net creditor balances due to the parent company and to related undertakings at 31 December 2014 were £6,247,178 (2013: net debtor balances of £6,323,000).

27 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.

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28 SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

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

	Percentage owned	Country of registration	Principal country/area of operation
Subsidiary undertakings:			
Crouch Hogg Waterman Limited	100%	Scotland	Great Britain
Halcrow Consulting India Private Limited	49%	India	South Asia
Halcrow Gilbert Associates Limited	100%	England	Great Britain
Halcrow International Partnership	100%	England	Middle East
Halcrow Water Services Limited	100%	England	Great Britain
Halcrow Waterman Limited	100%	Scotland	Great Britain
Mechanical and Electrical Design Associates Limited	100%	England	Great Britain
Sir William Halcrow & Partners Limited	100%	England	Latin America
Yolles Partnership Limited	100%	England	Great Britain
Joint ventures:-			
Aberdeen Western Peripheral Route	50%	Scotland	Great Britain
Aone	34%	England	Great Britain
Bond Street	60%	England	Great Britain
Broadland Environmental Services Limited	10%	England	Great Britain
Consortia Halcrow Sinergia Setepla	29%	Brazil	Latin America
Energhia Consortium	29%	France	Europe
Halcrow Doran	50%	Northern Ireland	Great Britain
Halcrow Fairhurst	50%	England	Great Britain
Halcrow Hyder	50%	England	Great Britain
Halcrow Tata	50%	England	Great Britain
Parsons Halcrow *	42%	UAE Dubai	Middle East

All holdings are of ordinary shares.

* indicates that the shares are held by an intermediate holding company.

The principal activity of all the above undertakings is the supply of services as consulting engineers.