

**HALCROW GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**REGISTERED NUMBER: 03415971**



**HALCROW GROUP LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**HALCROW GROUP LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**Our Business**

We are a professional engineering services firm providing engineering, consulting, design, design for design-build, procurement, operations and maintenance, programme management 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 in a variety of geographies, 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 Jacobs Engineering Group Inc. ("Jacobs"), based in Texas, USA, following the acquisition by Jacobs of the previous parent Company CH2M Hill Companies Ltd on 15th December 2017. The results of the Company will be consolidated by Jacobs commencing the accounting period ending 30 September 2018 and copies of Jacobs Financial Statements are available on the Group's website [www.jacobs.com](http://www.jacobs.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. 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. We maintain a confidential telephone and web-based hotline, where employees can seek guidance or report potential violations of laws, Jacobs policies or rules of conduct.

**HALCROW GROUP LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

(continued)

Foreign exchange risk - the Company'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 and obtaining escalation provisions for projects in inflationary economies. Additionally the 23 June 2016 Brexit referendum has caused significant volatility in global markets, including currencies. Volatility in exchange rates is expected to continue as the United Kingdom negotiates the future terms of its relationship with the European Union.

Credit risk - this is primarily attributable to the Company's billed and unbilled 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 cashflows.

Going concern - In coming to their assessment of going concern, the board have considered the operating performance of the Company in the current financial year, and are optimistic that its trading position will improve. The ultimate parent has provided written assurance of continued support for the foreseeable future and further details of the Directors' assessment of the Company and its ability to continue as a going concern can be found in Note 1(b) 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.

**HALCROW GROUP LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

(continued)

**Business Review**

Turnover decreased from £236.9 million in 2016 to £223.4 million in 2017. The profit before taxation of £270.2 million in 2016 decreased to a loss before taxation of £16.5 million in 2017. However the 2016 amount includes a £268.9 million gain attributable to the restructure of the defined benefit pension scheme. The reduction in margins in the UK Transportation Sector was mainly behind the underlying loss in the year.

**United Kingdom, Ireland and Europe** - Turnover in the Region decreased 4 per cent compared to the £225M reported last year. The decrease was down to a fall in the United Kingdom Highways and Rail sectors where a number of large engineering and project management contracts were completed. These projects were delivered either directly to the client or as a subcontractor to CH2M United Kingdom, a Group Company.

**Middle East and Africa** - Turnover decreased slightly from £5.3 million in 2016 to £4.2 million in 2017 representing a decrease of 20 per cent. With increasing competition, new projects were awarded with lower gross margins.

**The Americas** - The long-term intention is to continue to contract the Halcrow Americas operation. In 2017 turnover in the region did decrease, moving from £4.3 million in 2016 to £1.7 million in 2017. This 60 per cent decrease in turnover was accompanied by an 84 per cent gross margin decrease.

**Asia and Australasia** - Turnover decreased in this region, moving from £2.1 million in 2016 to £1.5 million in 2017, a decrease of 28 per cent.

**Restructuring** - 2017 saw further restructuring activities in order to strengthen client relationships and to control overhead costs. During the year to 31 December 2017 we incurred redundancy costs of £0.6 million and also an onerous lease provision of £2.8 million relating to the vacation of an office. The acquisition of the CH2M group by Jacobs Engineering Group, Inc. ("Jacobs") on 15 December 2017 has created a global Company with significant market share and potential for growth. In due course further restructuring of the new and combined business will occur as Jacobs contemplates how best to run its operations, how best to serve its client base and how to implement efficiencies as the new and combined companies come together.

**Administrative expenses** - These costs decreased by £0.2 million in the year, moving from £57.0 million in 2016 to £56.8 million in 2017. The decrease in costs is mainly due to the release of provisions for intercompany debts £3.0 million (2016 £1.6 million) and a reduction in the use of sub consultants £3.4 million offset by the new transfer pricing policy which increased administration costs by £7.2 million in 2017 (2016: £nil) and movement in exchange rates during the year that saw an exchange gain of £nil million compared to an exchange gain of £3.6 million in 2016.

**HALCROW GROUP LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(continued)

**Market Outlook**

United Kingdom, Ireland and Europe - On 23 June 2016 the major market of the Company's subsidiaries, the UK, held a referendum in which a majority of the voters elected to withdraw from the European Union, commonly referred to as 'Brexit'. The terms of any withdrawal are subject to a negotiation period that will last at least two years with the UK government having formally triggered the withdrawal process on 29 March 2017. The referendum has created significant uncertainty about the future relationship between the UK and the European Union, and may adversely affect global economic conditions and the stability of global financial markets. The continuing uncertainty, and lack of clarity has led to changes in public sector infrastructure funding with some delays or changes in timing to our current and prospective infrastructure projects in the UK, impacting the results of the Company's subsidiaries. Whilst there have been some early signs of a changing landscape, the UK economy remains stable, with low interest rates and low inflation and current economic forecasts remain generally positive albeit with caution attached. The UK subsidiaries have a stable backlog of existing work which mitigates against any uncertainty in the market. The Company has re-aligned its work around customer lines, and cut its cost base so as to improve the service to clients and the Jacobs acquisition provides further scope for efficiencies and a larger pool of professional expertise. The Company will continue to target proposals which have the potential to bring in long term income streams.

**Middle East & Africa** - It is forecast that real GDP growth of UAE will continue to strengthen reflecting a pick-up in oil prices. The authorities are targeting economic diversification in order to promote non-oil growth. Dubai has made progress with managing its debts but they remain an area of focus. The largest sectors for future projects are construction, followed by transport.

**The Americas** - We expect to continue to wind down, merge and close our operations in the Americas over the next few years.

**Asia and Australasia** - Competition remains fierce in the region, however we are continuing to seek market and state diversity. We are focusing on our Rail, Ports and Tunnelling markets within the region.

**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. We aim for 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 2017 due to a continuing and relentless focus on operating safely in all markets.

**People Investment** - We continue to invest in staff across the enterprise. Employees have access to a variety of learning opportunities, including through the Talent Management and Development Function 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 27 February 2019

  
T S Chaudhary

Secretary

**HALCROW GROUP LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their report on the affairs of the company, together with the audited Financial Statements for the year ended 31 December 2017.

**Principal activity**

The principal activity of the Company is the provision of services as international consulting engineers.

**Results**

The Company's results are outlined in the Strategic Report.

**Going concern**

The Company is a subsidiary of Halcrow Holdings Limited and its 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 to the Financial Statements.

**Dividend**

The Directors are unable to recommend a dividend payment in respect of the year ended 31 December 2017.

**Events since the Balance Sheet**

Subsequent to the year end, the Company issued a further 20,000,000 shares to its immediate parent undertaking, Halcrow Consulting Limited at the par value of £1 per share. The proceeds of this share issue form part of a wider exercise by the group to strengthen the Company's balance sheet and those of fellow group undertakings.

**Foreign branches**

The Company operates 15 branches outside of the UK, the results of which form part of these Financial Statements.

**Share capital**

The ordinary share capital of the Company at 31 December 2017 was held beneficially as follows:

Halcrow Consulting Limited	10,033,339 ordinary shares
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**HALCROW GROUP LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(continued)

**Directors**

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

B R Shelton

J C Rowntree

S J Hannis

R C Stringer (Appointed 23rd March 2017 & Resigned 22nd December 2017)

D J Coultas (Appointed 21st March 2018)

D Ellis (Appointed 21st March 2018)

B A Hamer (Appointed 29th Jan 2018)

**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 an Employee Forum, 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 group.

**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.



**HALCROW GROUP LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(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 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.

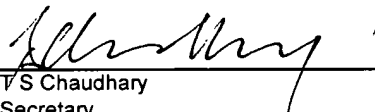
This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

KPMG LLP resigned as auditor during the year and were replaced by Ernst & Young LLP. At the next General Meeting it will be proposed that Ernst & Young LLP are appointed auditor in accordance with Section 485 of the Companies Act 2006.

**Directors Qualifying Third Party Indemnity Provisions**

The Company has granted indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Approved by the Board and signed on  
its behalf by:

  
T S Chaudhary  
Secretary  
27 February 2019

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

Registered Number:  
03415971

**HALCROW GROUP LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC**  
**REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors are responsible for preparing the Strategic Report, 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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**

**Opinion**

We have audited the Financial Statements of Halcrow Group Limited for the year ended 31 December 2017 which comprise of the Profit and Loss Account, Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**HALCROW GROUP LIMITED**

(continued)

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

**Responsibilities of Directors**

As explained more fully in the statement of 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, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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

*Ernst & Young LLP*

Nigel Meredith (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham

2 March 2019

**HALCROW GROUP LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £000	2016 £000
<b>Turnover</b>	2	223,431	236,882
<b>Cost of sales</b>		<u>(173,662)</u>	<u>(165,108)</u>
<b>Gross profit</b>		49,769	71,774
<b>Administrative expenses</b>		<u>(56,812)</u>	<u>(57,037)</u>
<b>Operating (loss) / profit</b>	3	(7,043)	14,737
<b>Restructuring costs</b>	4	(3,362)	(3,258)
<b>Share of profit in joint ventures</b>	12	-	18
<b>Gain on pension settlement</b>	17	-	268,900
<b>Interest receivable and similar income</b>	5	2,431	1,101
<b>Interest payable and similar charges</b>	6	<u>(8,561)</u>	<u>(11,319)</u>
<b>(Loss) / Profit on ordinary activities before taxation</b>		(16,535)	270,179
<b>Tax on (loss) / profit on ordinary activities</b>	9	<u>186</u>	<u>(397)</u>
<b>(Loss) / Profit for the financial year</b>		<u><u>(16,349)</u></u>	<u><u>269,782</u></u>

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


**HALCROW GROUP LIMITED**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	<u>2017</u> £000	<u>2016</u> £000
<b>(Loss) / Profit for the year</b>		<u>(16,349)</u>	<u>269,782</u>
<b>Other Comprehensive Income</b>			
Remeasurement of the net defined benefit pension liability	17	48,017	(174,994)
Foreign exchange differences on translation of foreign operations		1,411	(858)
Deferred tax on items recognised in other comprehensive income		<u>(9,865)</u>	<u>4,387</u>
<b>Other Comprehensive Income / (loss) for the year, net of income tax</b>		<u>39,563</u>	<u>(171,465)</u>
<b>Total Comprehensive Income for the year</b>		<u><u>23,214</u></u>	<u><u>98,317</u></u>

**HALCROW GROUP LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2017**

	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible assets	10	4,699	4,705
Investments			
Investments in Subsidiaries	11	7,633	7,633
Investments in Joint Ventures	12	-	402
		<u>12,332</u>	<u>12,740</u>
<b>Current assets</b>			
Debtors: amounts falling after more than one year	13	-	279
Debtors: amounts falling due within one year	13	65,010	80,352
Cash at bank and in hand		3,056	2,745
		<u>68,066</u>	<u>83,376</u>
Creditors: amounts falling due within one year	14	<u>(72,445)</u>	<u>(64,813)</u>
<b>Net current (liabilities) / assets</b>		<u>(4,379)</u>	<u>18,563</u>
<b>Total assets less current liabilities</b>		7,953	31,303
Creditors: amounts falling after more than one year	15	(119,964)	(126,799)
<b>Provisions for liabilities</b>			
Provisions	16	(22,797)	(7,732)
Pensions and similar obligations	17	<u>(30,765)</u>	<u>(85,944)</u>
<b>Net liabilities</b>		<u><u>(165,573)</u></u>	<u><u>(189,172)</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	10,033	10,033
Translation reserve		517	(894)
Profit and loss account		<u>(176,123)</u>	<u>(198,311)</u>
<b>Equity Shareholder's deficit</b>		<u><u>(165,573)</u></u>	<u><u>(189,172)</u></u>

The Financial Statements for Halcrow Group Limited, registered number 03415971, were approved by the Board of Directors and authorised for issue on 27 February 2019. They were signed on its behalf by:

  
S J Hannis  
Director

**HALCROW GROUP LIMITED**  
**STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2017**

	Notes	Called up share capital £000	Translation reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016		10,000	(36)	(297,487)	(287,523)
<b>Total comprehensive income for the period</b>					
Profit for the period		-	-	269,782	269,782
Other comprehensive income					
Remeasurement of the net defined benefit liability	17	-	-	(174,994)	(174,994)
Foreign exchange differences on translation of foreign operations		-	(858)	-	(858)
Deferred tax on items recognised in other comprehensive income		-	-	4,387	4,387
<b>Total comprehensive income for the period</b>		-	(858)	99,175	98,317
<b>Transactions with owners, recorded directly in equity</b>					
Issue of shares		33	-	-	33
Equity-settled share based payment transactions		-	-	1	1
<b>Total contributions by and distributions to owners</b>		33	-	1	34
Balance at 31 December 2016		10,033	(894)	(198,311)	(189,172)
Balance at 1 January 2017		10,033	(894)	(198,311)	(189,172)
<b>Total comprehensive income for the period</b>					
Profit for the period		-	-	(16,349)	(16,349)
Other comprehensive income					
Remeasurement of the net defined benefit liability	17	-	-	48,017	48,017
Foreign exchange differences on translation of foreign operations		-	1,411	-	1,411
Deferred tax on items recognised in other comprehensive income		-	-	(9,865)	(9,865)
<b>Total comprehensive income for the period</b>		-	1,411	21,803	23,214
<b>Transactions with owners, recorded directly in equity</b>					
Issue of shares		-	-	-	-
Equity-settled share based payment transactions		-	-	385	385
<b>Total contributions by and distributions to owners</b>		-	-	385	385
Balance at 31 December 2017		10,033	517	(176,123)	(165,573)



**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**1 PRINCIPAL ACCOUNTING POLICIES**

**Basis of accounting**

Halcrow Group Limited is a Company limited by shares and incorporated and resident in the UK.

These Financial Statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these Financial Statements is sterling. All amounts in the Financial Statements have been rounded to the nearest £1,000.

The Company is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the Financial Statements have been applied:

- (i) No Cash Flow Statement with related notes is included
- (ii) Key Management Personnel compensation is not disclosed
- (iii) Certain disclosures required by FRS 102.26 Share Based Payments
- (iv) Transactions with companies within the Halcrow Holdings group are not disclosed

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

**(a) Measurement convention**

The Financial Statements are prepared on the historical cost basis.

**(b) Going concern**

The Financial Statements are prepared on a going concern basis, which the Directors continue to believe to be appropriate. The circumstances they have considered are as follows.

As at 31 December 2017, the Company has net liabilities of £165.6m (2016: net liabilities of £189.2m) and net current liabilities of £4.4m (2016: Assets £18.6m). In addition, the Company recorded a loss after taxation of £16.3m (2016: profit of £269.8m arising mainly from a gain on restructuring of pension liabilities).

Other than available cash balances and its ability to manage working capital, the Company has no immediate access to funding other than the secured and unsecured loan funding provided by its ultimate parent Jacobs Engineering Inc, although the intermediate parent CH2M Hill Companies Ltd has provided a £50m guarantee to the HPS2 Trustees of the Company's obligations to fund HPS2 as necessary, which is the Company's most significant single cash flow in the foreseeable future.

On 15 December 2017, the acquisition of the CH2M group by Jacobs Engineering Group, Inc. ("Jacobs") was declared unconditional. This has created a global Company with significant market share, and is expected to present significant potential for the combined group to grow. As a result of the acquisition and allied restructuring initiatives, the Board is optimistic that the trading position of the Company can continue to be improved. The Company should have access to the financial resources of Jacobs and, in this regard, the Directors have received written confirmation from the ultimate parent undertaking of its ongoing financial support for a period of at least twelve months from the date of approval of the Financial Statements. As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Whilst the Company's financial position remains challenging, the support of the ultimate parent and the guarantees in respect of pension liabilities enable the Directors to believe that the Company is able to continue as a going concern and thus realise its assets and discharge its liabilities in the normal course of business.

**(c) Use of estimates and assumptions**

The preparation of Financial Statements in conformity with FRS102 requires management to make certain estimates, judgements and assumptions. These estimates, judgements and assumptions can affect the reported amounts of assets and liabilities as of the date of the Financial Statements, as well as the reported amounts of revenue and expenses during the periods presented. Actual results could differ from our estimates. For further details on use of estimates, refer to each individual accounting policy. The Directors have made judgements in these Financial Statements against critical accounting policies, and in particular, Turnover, Employee Benefits, Provisions and Deferred Tax. Details of the judgements applied in each estimate can be found in Note 1.

**(d) 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 other comprehensive income. All other exchange differences are included in the profit and loss account.

The Company'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 and obtaining escalation provisions for projects in inflationary economies.

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**(e) Basic financial instruments**

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at cost plus attributable transaction costs. Subsequent to initial recognition, trade and other debtors are recognised at the amortised cost less any impairment provisions, with, trade and other creditors being measured at amortised cost.

*Interest bearing borrowings classified as basic financial instruments*

Interest bearing borrowings repayable on demand are recognised at the transaction value, with interest being charged to the profit and loss account.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits, together with bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**(f) Tangible 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.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation of tangible fixed assets is by equal annual instalments calculated to write off the cost less estimated residual value of each asset on a straight line basis 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%

**(g) Investments**

A subsidiary is an entity that is controlled by the parent. Control is established when the parent has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Company exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity.

The Company's share of the profits less losses of associates and of jointly controlled entities is included in the profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Where the Company is party to a joint venture which is not an entity, the Company accounts directly for its own income and expenditure, assets, liabilities and cashflows, together with its share of the net results of the joint arrangement. Such arrangements are reported in the consolidated Financial Statements on the same basis.

Investments in subsidiaries are carried at cost less impairment. Management determines the amount of the impairment based on their judgements in evaluating the financial performance and operations of those subsidiaries. In making these judgements an inherent level of uncertainty is involved.

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**(h) 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.

**(i) Impairment**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cashflows of that asset which can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non financial assets*

The carrying amounts of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**(j) Employee benefits**

*Defined contribution plans and other long term employee benefits*

The main plan is the CH2M HILL 2013 Group Personal Pension Plan

A defined contribution plan is a post employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Defined benefit plans*

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/asset taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on defined benefit liability, and the cost of plan introduction, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

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 cashflows.

*Termination benefits*

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

*Share based payment transactions*

The group share option programmes allow employees to acquire beneficial ownership in the shares of the ultimate parent Company. The fair value of options granted is recognised as an equity settled share based payment. The fair value of the options granted is measured using an option pricing model at the date of grant, taking into account the terms and conditions upon which the options were granted. 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.

For the Common Stock plans the fair value of the stock granted is measured based on the market value of the stock. The amount recognised as an expense is adjusted to reflect the underlying change in market value.

**(k) Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligations at the reporting date.

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. Management makes judgements as to the amount of provision required based on historical experience. Whilst this is the best estimate available, there is a level of uncertainty in the estimate.

Professional indemnity claims - where claims have been made against the Company, judgements are made by management to evaluate the claims and categorise these as either remote, possible or probable. Provisions are made to the extent that it is considered probable that an obligation will arise. In making these judgements, an inherent level of uncertainty is involved.

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.

**(l) 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 estimated total contract value.

Change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and when the change order can be estimated. Management evaluates when a change order is probable based upon its experience in negotiating change orders, the customer's written approval of such changes or separate documentation of change order costs that are identifiable.

In making estimates of total contract value, judgements are required to evaluate potential variances in schedule, the cost of materials and labour, productivity, liability claims, contract disputes and achievement of contract performance standards. We record the cumulative effect of changes in contract revenue and cost at completion in the period in which the changed estimates are determined to be reliably estimable. In making these judgements there is an inherent level of uncertainty involved.

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**(m) Amounts recoverable on contracts and Payments on account**

Amounts recoverable on contracts represent the excess of contract revenue recognised over billings to date on contracts in progress. These amounts become billable according to the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project.

Payments on account represent the excess of billings to date, per the contract terms, over revenue recognised on contracts in progress. As the projects near completion, the payments on account balance declines.

**(n) Allowance for uncollectible trade debtors**

We reduce trade debtors by estimating an allowance for amounts that may become uncollectible in the future. Management determines the estimated allowance based on their judgements in evaluating the ageing of the receivables and the financial condition of our clients, which may be dependent on the type of client and the client's current financial condition.

**(o) Concentrations of credit risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables. Cash is primarily held with major banks and financial institutions throughout the world and typically is insured up to a set amount. The Directors consider that the risk of any potential loss on deposits is minimal. Concentrations of credit risk relative to trade debtors is considered to be limited due to our diverse client base, which includes government, public and private sector clients across a number of markets.

**(p) Expenses**

*Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease unless the payments to the lessor are structured to increase in line with general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Finance leases*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*Interest receivable and Interest payable*

Interest receivable and similar income includes interest receivable on short term bank deposits; interest receivable on loans to related parties and other interest receivable.

Interest payable and similar charges includes interest payable on bank loans and overdrafts; interest charges on finance leases; finance charges in respect of defined benefit pension liabilities; interest payable on loans from related parties and other interest payable.

Interest income and interest payable are recognised in profit or loss as they accrue.

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**(q) Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax, including UK corporation tax and foreign tax, is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Recognition, therefore involves judgement based on management's forecasts of future performance.

**2 TURNOVER**

The Directors consider there to be one class of business, being consulting engineers. A geographical analysis of turnover is set out below:

	<u>2017</u>	<u>2016</u>
	£000	£000
United Kingdom, Ireland and rest of Europe	216,055	225,300
Asia and Australasia	1,507	2,069
The Americas	1,696	4,261
Middle East and Africa	4,173	5,252
	<u>223,431</u>	<u>236,882</u>

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

**3 OPERATING (LOSS) / PROFIT**

	<u>2017</u>	<u>2016</u>
	£000	£000
Included in Operating profit are the following:		
Auditor's remuneration for audit of the financial statements	214	314
Depreciation of tangible fixed assets - owned	1,559	1,654
Increase in bad debt provisions	2,304	99
Loss / (Profit) on sale of tangible fixed assets	2	(1)
Exchange gains	(3)	(3,555)
Operating leases		
Motor vehicles	84	152
Rent of properties payable	<u>3,999</u>	<u>4,790</u>

**4 RESTRUCTURING COSTS**

	<u>2017</u>	<u>2016</u>
	£000	£000
Redundancy and other related costs	586	1,601
Onerous lease provision	<u>2,776</u>	<u>1,657</u>
	<u>3,362</u>	<u>3,258</u>

Redundancy and other related costs were incurred in the year as part of the restructuring programme which commenced in 2014.

**5 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2017</u>	<u>2016</u>
	£000	£000
Interest receivable on:		
Short term bank deposits	3	40
Loans to related parties	1,133	1,061
Other interest	<u>1,295</u>	<u>-</u>
	<u>2,431</u>	<u>1,101</u>

**6 INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2017</u>	<u>2016</u>
	£000	£000
Interest payable on:		
Finance leases	-	5
Net interest charge on pension schemes	2,930	8,110
Loans from related parties	5,621	3,196
Other	<u>10</u>	<u>8</u>
	<u>8,561</u>	<u>11,319</u>

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(continued)

<b>7 EMPLOYEE INFORMATION</b>	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
(a) The average number of persons, including Directors, employed by the Company during the year was:		
Professional and technical	2,103	2,191
Administrative	162	142
	<u>2,265</u>	<u>2,333</u>
(b) Staff costs during the year were:	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	114,874	109,285
Social security costs	11,302	11,203
Contributions to defined contribution plans	7,504	7,636
Expenses related to defined benefit plans	1,178	913
Redundancy costs	586	1,601
	<u>135,444</u>	<u>130,638</u>
<b>8 DIRECTORS' EMOLUMENTS</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Staff costs include the following emoluments of Directors of Halcrow Group Limited:		
Aggregate emoluments	1,018	478
Compensation for loss of office	127	-
Contributions to money purchase pension arrangement	30	22
	<u>1,175</u>	<u>500</u>
	<b>Number</b>	<b>Number</b>
The number of Directors who:		
Are members of a money purchase pension scheme	<u>3</u>	<u>2</u>
Aggregate emoluments include amounts paid to:		
The highest-paid Director	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Emoluments	510	328
Contributions to money-purchase pension arrangements	<u>5</u>	<u>14</u>
The highest paid Director had benefits under the Halcrow Pension Scheme as follows:		
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Accrued annual pension at end of year	<u>-</u>	<u>17</u>



**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

**9 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2017 £'000	2016 £'000
United Kingdom corporation tax	-	(81)
Double taxation relief	-	-
UK corporation tax on profits of the period	-	(81)
UK corporation tax-adjustments in respect of prior periods	-	22
Overseas taxation	201	518
Overseas taxation-adjustments in respect of prior periods	(387)	(62)
Total current tax (credit) / charge	(186)	397
Total Deferred Tax	-	-
Total tax (credit) / charge for period	(186)	397

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19.25% (2016: 20%). The actual tax charge for the current and the previous year recognised in the profit and loss account differs from the standard rate for the reasons set out in the following reconciliation.

	2017 £'000	2016 £'000
(Loss) / Profit on activities before tax	(16,535)	270,179
Tax on (loss) / profit on ordinary activities at standard rate	(3,191)	54,036
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	(62)	227
Amounts not recognised for Deferred tax purposes	3,253	(58,653)
Adjustment from previous period	(387)	(40)
Group relief surrendered	-	4,390
Differences in overseas tax rates	201	518
Effect on movement on uncertain tax positions	-	(81)
Total tax (credit) / charge for period	(186)	397

Reductions in the UK corporation tax from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

A net deferred tax asset has not been recognised in respect of timing differences of £26.2 million (2016: £20.7 million) relating to depreciation, losses and pension expenses as there is insufficient evidence that these deferred tax assets 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. During 2017 the Company recognised £nil million deferred tax asset for the partial recognition of the pension deficit (2016: £9.9 million). Deferred tax assets are recognised based on the Directors' assessment of the extent to which they are recoverable based on the future profits of the company.

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(continued)

**10 TANGIBLE FIXED ASSETS**

	Improvements to short leasehold properties	Furniture and equipment	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2017	6,882	9,855	16,737
Exchange movement	-	2	2
Additions	19	1,594	1,613
Disposals	-	(472)	(472)
At 31 December 2017	6,901	10,979	17,880
<b>Depreciation</b>			
At 1 January 2017	3,334	8,698	12,032
Exchange movement	13	11	24
Charge for the year	872	687	1,559
Disposals	-	(434)	(434)
At 31 December 2017	4,219	8,962	13,181
<b>Net Book Value</b>			
At 31 December 2017	2,682	2,017	4,699
At 31 December 2016	3,548	1,157	4,705

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	£000
<b>Cost</b>	
At 1 January 2017 and 31 December 2017	13,377
<b>Provisions</b>	
At 1 January 2017 and 31 December 2017	(5,744)
<b>Net book value</b>	
At 31 December 2017 and 31 December 2016	<u>7,633</u>

During the year the Company assessed the carrying value of its investments and an impairment charge of £nil (2016: £nil) has been recognised.

None of the investments included in the above amounts is listed on a recognised investment exchange.

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 section 400 of the Companies Act 2006. These Financial Statements presents information about the Company and not the group.

Subsidiary undertakings are listed in note 22 of the Financial Statements.

**12 OTHER INVESTMENTS**

	£000
<b>Other Investments</b>	
<b>Cost plus share of retained profit</b>	
At 1 January 2017	402
Additions	-
Disposals	-
Share of profits earned in the year	-
Investment return	-
Exchange movements	-
Provision	(402)
<b>At 31 December 2017</b>	<u>-</u>

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(continued)

**13 DEBTORS**

<u>Amounts falling due after more than one year</u>	<u>2017 £000</u>	<u>2016 £000</u>
United Kingdom corporation tax	-	279
	-	279
 <u>Amounts falling due within one year</u>	 <u>2017 £000</u>	 <u>2016 £000</u>
Trade debtors	21,439	20,215
Amounts recoverable on contracts	9,834	13,126
Amounts owed by related undertakings	7,388	10,789
Amounts owed by group undertakings	19,449	21,054
United Kingdom corporation tax	915	1,157
Other debtors	2,489	759
Deferred taxation	-	9,865
Prepayments and accrued income	3,496	3,387
	<u>65,010</u>	<u>80,352</u>
 <b>Total Debtors</b>	 <u><u>65,010</u></u>	 <u><u>80,631</u></u>

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

	<u>2017 £000</u>	<u>2016 £000</u>
Payments on account	12,447	16,712
Trade creditors	2,900	2,946
Amounts owed to related undertakings	23,953	17,872
Amounts owed to parent undertakings	16,764	9,422
United Kingdom corporation tax	90	949
Other taxation and social security	4,423	5,418
Other creditors	3,728	3,859
Interest payable	-	1,430
Accruals and deferred income	8,140	6,205
	<u>72,445</u>	<u>64,813</u>

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

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

	2017 £000	2016 £000
Amounts owed to related undertakings	119,964	126,799
	<u>119,964</u>	<u>126,799</u>

**16 PROVISIONS**

	Property dilapidation	Onerous leases	Professional indemnity claims	Total
	£000	£000	£000	£000
Balance at 1 January 2017	2,434	1,657	3,641	7,732
Provisions made during the year	280	3,948	15,250	19,478
Provisions utilised during the year	-	(1,172)	(3,150)	(4,322)
Provisions reversed during the year	-	-	(91)	(91)
Balance at 31 December 2017	<u>2,714</u>	<u>4,433</u>	<u>15,650</u>	<u>22,797</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 group at their termination. The relevant leases expire between 2018 and 2030.

**Onerous leases**

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

**Professional indemnity claims**

When claims have been made against the group, provision is made to the extent that it is considered probable that an obligation will arise. The provision will be utilised on settlement. There is no certainty of timing as to when this will arise.

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

**17 PENSIONS AND SIMILAR OBLIGATIONS**

The Company has a number of defined benefit and defined contribution schemes. The assets of all defined benefit contribution schemes are held separately from those of the Company and are invested by independent investment managers. As required by FRS102, the value of the defined benefit liabilities has been measured using the projected unit method. Contributions to the defined contributions pension scheme for the year ended 31 December 2017 were £7,504,000 (2016: £7,636,000) and recognised as an expense in the profit and loss account for the current and prior year.

The main scheme is the Halcrow Pension Scheme 2 (HPS2) which is a defined benefit pension scheme. The Pension & Life Assurance Plan of Halcrow Fox & Associates Limited was merged with HPS2 at the start of the year. The Company also sponsors the MEDA Pension & Death Benefits Scheme, the Prudential Platinum Pension Scheme, Halcrow Rail section of the Railways Pension Scheme and also contributes to the East Sussex County Council Pension Scheme (LGPS), all of which are also defined benefit pension arrangements.

The Company provides services to East Sussex County Council and the eligible employees of Council transferred to Halcrow Group Limited from 01 May 2016. In accordance with the 'TUPE' regulations, the Company assumed responsibility for benefits relating to the employees transferred, including the pension obligation. Halcrow Group Limited received pension fund accounting calculations from the East Sussex County Council Actuary on 10 April 2018, and no net pension liability was disclosed in the Financial Statements for the year ended 31 December 2016.

All 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 and East Sussex County Council schemes. Since this date, members of closed schemes have had the right to earn current service benefits in the Halcrow Money Purchase Plan (HMPP), a defined contribution scheme.

For each of the schemes in deficit as at 31 December 2017, the Company is making contributions in accordance with arrangements made with the relevant scheme trustees, which are designed to address these deficits over an agreed period of time. For the year to 31 December 2017, contributions by the Company of £7.7m (2016: £95.5m) were made to the HPS 2 scheme. Further contributions totalling £1.7m (2016: £4.4m) were made to other defined benefit schemes.

The accounting calculations are based on the latest formal actuarial valuations which have been updated to the accounting date by a qualified actuary in accordance with FRS102. The valuation used has been based on the most recent actuarial valuation at 31 December 2016 (Halcrow Pension Scheme), 28 February 2015 (Meda Pension Scheme), 31 December 2014 (Platinum Pension Scheme), 31 December 2016 (Railways Pension Scheme- Halcrow Section) and 31 December 2016 - East Sussex - Halcrow Section).

The following table sets out the key FRS102 assumptions as at 31 December 2017 used for the schemes.

Assumptions- Except East Sussex Pension Scheme	2017	2016
Price inflation (RPI)	3.3% p.a.	3.6% p.a.
Price inflation (CPI)	2.3% p.a.	2.6% p.a.
Discount rate	2.4% p.a.	2.6% p.a.
Pension increases (5% LPI)	3.0% p.a.	3.25% p.a.
Salary Growth	3.8% p.a.	4.1% p.a.
<b>Scheme</b>	<b>2017</b>	
Price inflation (RPI)	3.40%	
Price inflation (CPI)	2.40%	
Discount rate	2.50%	
Pension increases	2.40%	
Salary increase rate	2.80%	

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**17 PENSIONS AND SIMILAR OBLIGATIONS (continued)**

The aggregate disclosures for the companies defined benefit pension schemes are as follows.

The table below sets out as at 31 December 2017 the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS102 liabilities and the surplus or deficit of assets compared with the FRS 102 liabilities.

<u>Components</u>	<u>31 December 2017</u>		
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Total</u>
	(schemes in deficit)	(schemes in surplus)	
	£000	£000	£000
Equities	184,166	-	184,166
Bonds	440,591	1,606	442,197
Property	12,303	-	12,303
Other	34,855	-	34,855
<u>Balance Sheet</u>			
Total fair value of assets	671,915	1,606	673,521
Present value of liabilities	(702,926)	(1,360)	(704,286)
(Deficit)/surplus in the schemes	(31,011)	246	(30,765)
Amount not recognised due to surplus restriction	-	-	-
Net pension (liabilities)/asset	(31,011)	246	(30,765)

The table below sets out as at 31 December 2016 the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS102 liabilities and the deficit of assets below the FRS102 liabilities.

<u>Components</u>	<u>31 December 2016</u>		
	<u>Fair value</u>	<u>Fair value</u>	<u>Total</u>
	(schemes in deficit)	(schemes in surplus)	
	£000	£000	£000
Equities	203,861	7,570	211,431
Bonds	306,579	15,142	321,721
Property	10,511	1,104	11,615
Other	97,249	337	97,586
<u>Balance Sheet</u>			
Total fair value of assets	618,200	24,153	642,353
Present value of liabilities	(704,344)	(22,116)	(726,460)
Deficit in the schemes	(86,144)	2,037	(84,107)
Amount not recognised due to surplus restriction	-	(1,837)	(1,837)
Net pension (liabilities)/asset	(86,144)	200	(85,944)

Under FRS102, the schemes are represented on the balance sheet as net pension liabilities of £30,765,000 (2016: £85,944,000) before any allowance for deferred tax.

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**17 PENSIONS AND SIMILAR OBLIGATIONS (continued)**

The scheme liabilities under FRS102 moved over the period as follows:

	2017 £000	2016 £000
Scheme liabilities at the beginning of the year	(726,460)	(773,789)
Acquisition of East Sussex County Council Pension Scheme- Halcrow Section	(12,815)	-
Current service cost	(1,178)	(913)
Employee contributions	(201)	(205)
Interest on post-retirement liabilities	(18,976)	(25,865)
Actuarial gains / (losses)	20,116	(240,387)
Plan amendments	-	257,400
Settlements	-	31,700
Benefits paid	35,228	25,599
Scheme liabilities at the end of the year	<u>(704,286)</u>	<u>(726,460)</u>

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

	2017 £000	2016 £000
Scheme assets at the beginning of the year	642,353	504,606
Acquisition of East Sussex County Council Pension Scheme- Halcrow Section	9,742	-
Interest on plan assets	16,046	17,828
Employer contributions	9,433	99,957
Employee contributions	201	205
Return on Scheme assets greater/(less) than discount rate	30,974	65,556
Settlements	-	(20,200)
Benefits paid	(35,228)	(25,599)
Scheme assets at the end of the year	<u>673,521</u>	<u>642,353</u>

The following amounts have been included within operating profit under FRS102 in relation to the defined benefit schemes:

	2017 £000	2016 £000
Current service cost	(1,178)	(913)
Past service cost & curtailments	-	268,900
Total operating (charge)/credit	<u>(1,178)</u>	<u>267,987</u>

The following amounts have been included as net finance (costs)/income under FRS102:

	2017 £000	2016 £000
Interest on pension scheme assets	16,046	17,828
Interest on post-retirement liabilities	(18,976)	(25,865)
Net interest cost	(2,930)	(8,037)
Adjustment due to surplus restriction	-	(73)
Net interest on net defined benefit asset/(liability)	<u>(2,930)</u>	<u>(8,110)</u>



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**17 PENSIONS AND SIMILAR OBLIGATIONS (continued)**

Reconciliation of net balance sheet position	2017 £000	2016 £000
Net defined benefit asset/(liability) at end of prior period	(85,944)	(270,784)
Acquisition of East Sussex County Council Pension Scheme- Halcrow Section	(3,073)	-
Effect of employee service in the current period	(1,178)	(913)
Net interest on net defined benefit asset/(liability)	(2,930)	(8,110)
Remeasurement effects recognised in OCI	51,090	(174,994)
Changes due to settlements/curtailments	-	268,900
Adjustment due to Halcrow Fox pension scheme merger	1,837	-
Employer contributions	9,433	99,957
Net defined benefit asset/(liability) at end of current period	<u>(30,765)</u>	<u>(85,944)</u>

**18 SHARE CAPITAL**

Allotted, Called up and fully paid:	2017 £000	2016 £000
10,033,339 (2016: 10,000,000) ordinary shares of £1 each	10,033	10,000
Nil A ordinary shares of 1p each (2016: 3,333,333)	<u>3</u>	<u>33</u>
	10,033	10,033

The A Ordinary shares were converted to ordinary shares during the year, by the issue of 33,339 additional ordinary shares at par in exchange for all 'A' Shares which were then cancelled.

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**19 LEASE COMMITMENTS**

At 31 December 2017 the Company was committed to making the following payments in respect of operating leases:

	2017 £000	2016 £000
Land and buildings		
Within one year	3,694	4,375
In second to fifth years	11,016	12,381
After more than five years	15,283	17,320
	<u>29,993</u>	<u>34,076</u>
Other		
Within one year	58	41
In second to fifth years	84	1
After more than five years	-	-
	<u>142</u>	<u>42</u>

**20 CONTINGENT LIABILITIES**

We maintain a variety of commercial commitments that are generally made available to provide support for various provisions in our engineering contracts. Performance and advance payment bonds are issued by our banks, for the purpose of guaranteeing our performance on contracts.

	2017 £000	2016 £000
Performance and advance payment bonds provided by banks	<u>694</u>	<u>1,031</u>

We are party to various legal actions arising in the normal course of business. These claims and actions often take years to settle or 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 2000, Halcrow Group Limited ("HGL") entered into a contract to design a trash screen for the River Quaggy Flood Alleviation Scheme. A subsequent flood saw 22 residential properties damaged with the client, the Environment Agency admitting liability. In turn the Environment Agency lodged a claim against HGL for negligent design on 31 March 2017. Whilst the Environment Agency approved the design of the scheme, HGL has agreed a full and final settlement with the Environment Agency in early 2019. The value of the settlement forms part of the balance held within the provisions amount shown in Note 16.

**21 RELATED PARTY TRANSACTIONS**

In accordance with section 33.1A of FRS 102, 'Related Party Disclosures', transactions with other group undertakings within the Halcrow Holdings group have not been disclosed in these Financial Statements.

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

During the year affiliate turnover was received of £90,216,215 (2016: £71,783,496), direct costs were charged of £8,361,520 (2016: £4,118,292), administrative costs were charged of £2,058,242 (2016: £1,359,380) and interest was charged to the Company on loan balances amounting to £5,621,178 (2016: £3,196,564). Net creditor balances due to affiliate companies at 31 December 2017 were £135,113,980 (2016: £122,249,722). All related party transactions are completed at arm's length.

**Directors**

There were no transactions, other than employment costs, with Directors during the year (2016: £nil).

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**22 SUBSIDIARY AND ASSOCIATED UNDERTAKINGS AND JOINT VENTURES**

	Percentage owned	Country of registration	Address	Principal country/ area of operation
<b>Subsidiary undertakings:-</b>				
Crouch Hogg Waterman Limited	100%	Scotland	City Park 386 Alexandra Parade, Glasgow, G31 3AU	Great Britain
Halcrow Consulting India Private Limited	100%	India	R-27, 2nd Floor, Pratap Market, Jangpura -B, New Delhi, 110014, India	South Asia
Halcrow Gilbert Associates Limited	100%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
Halcrow International Partnership	100%	England	Elms House, 43 Brook Green, London, W6 7EF	Middle East
Halcrow Water Services Limited	100%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
Halcrow Waterman Limited	100%	Scotland	City Park, 386 Alexandra Parade, Glasgow, G31 3AU	Great Britain
Mechanical and Electrical Design Associates Limited	100%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
Sir William Halcrow & Partners Limited	100%	England	Elms House, 43 Brook Green, London, W6 7EF	Latin America
Yolles Partnership Limited	100%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
<b>Other Investments:-</b>				
Broadland Environmental Services Limited	10%	England	St James House, Knoll Road, Camberley, Surrey, GU15 3XW	Great Britain
<b>Joint arrangements:-</b>				
Aberdeen Western Peripheral Route	50%	Scotland	City Park, 386 Alexandra Parade, Glasgow, G31 3AU	Great Britain
Aone	34%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
Bond Street	60%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
CH2M Hill Fairhurst	50%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
Energhia Consortium	29%	France	Iter Organisation, Building B23, Route De Vinon, 13067, France	Europe
Halcrow Doran	50%	Northern Ireland	Norwood House, 96-102 Great Victoria Street, Belfast BT2 7BE	Great Britain
Halcrow Fairhurst	50%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
Halcrow Hyder	50%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
Halcrow Tata	50%	England	Elms House, 43 Brook Green, London, W6 7EF	Great Britain
Parsons Halcrow *	42%	UAE Dubai	2nd Floor City Tower 2, Sheikh Zayed Road, Trade Centre 1 PO Box 360,	Middle East

All holdings in subsidiaries and other investments are of ordinary shares. There have been no changes in holdings during the year.  
\* indicates that the shares / interest is held by an intermediate holding Company.

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

**HALCROW GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**23 ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Halcrow Consulting Limited. The smallest and largest group in which the results of this Company are consolidated is Halcrow Holdings Limited ("Halcrow"). Copies of the consolidated Financial Statements of Halcrow may be obtained from the Company Secretary at Elms House, 43 Brook Green, London W6 7EF. The intermediate parent undertaking is CH2M HILL Companies Ltd, a Company incorporated in the United States of America as at 31 December 2017.

On 15 December 2017, the acquisition of the CH2M group by Jacobs Engineering Group, Inc. was declared unconditional, making this entity the Company's ultimate parent undertaking from this date.

**24 SUBSEQUENT EVENTS**

Subsequent to the year end, the Company issued a further 20,000,000 shares to its immediate parent undertaking, Halcrow Consulting Limited at the par value of £1 per share. The proceeds of this share issue form part of a wider exercise by the group to strengthen the Company's balance sheet and those of fellow group undertakings.