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HALCROW HOLDINGS LIMITED

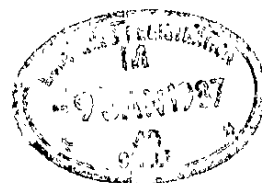
(FORMERLY HALCROW HOLDINGS)

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

30TH APRIL 1986



HALCROW HOLDINGS LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 30TH APRIL 1986

1. The directors present their annual report and the audited financial statements of the company for the year ended 30th April 1986.

2. **TRADING RESULTS AND REVIEW OF ACTIVITY**

The consolidated profit and loss account for the year is set out on page 4.

The main activities of the group are:-

- (a) the supply of consulting civil engineering services
- (b) the supply of mapping and surveying services
- (c) the supply of offshore engineering services
- (d) the supply of architectural services

The turnover of the principal subsidiary, Sir William Halcrow & Partners Ltd, consists mainly of work subcontracted from The Halcrow Partnership, an affiliated firm. Turnover of £18,678,987 arose from this source.

Trading conditions during the year have proved to be difficult, which is reflected in the loss for the year. In particular, competition for overseas work has been intense, together with pressure on margins on UK work resulting from increased fee competition. A review of both project margins and overheads has been carried out, which, following the adoption of recommendations made in the review, should take the company out of a loss making position.

During the year the outstanding calls at 30th April 1985 on issued share capital totalling £2,500,000 were received and a further issue of 1,000,000 shares of £1 each, fully paid, was made. The proceeds from these transactions were used for working capital.

The directors do not recommend the payment of a dividend and the loss for the year has been taken to reserves.

3. **DIRECTORS**

The following were directors of the company for the whole of the financial year:-

R S Baxter	T D Casey
R W Rothwell	A C Cadwallader
A R Kopec	M S Fletcher

The directors report with deep regret the death of Mr R K Hayward, who was a director at 30th April 1985, on 21st July 1985.

Mr A.I. Robertson, who served throughout the year as a director, resigned on 30th April 1986.

Each of the directors listed above is or was a partner in The Halcrow Partnership, an affiliated firm, which owned the whole of the share capital of the company for the whole of the year.

HALCROW HOLDINGS LIMITED  
DIRECTORS' REPORT  
Continued

4. FIXED ASSETS

The movements in fixed assets are shown in note 10 to the financial statements.

5. CLOSE COMPANY PROVISIONS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1970, as amended. There have been no changes in this respect since the end of the financial year.

6. CHARITABLE CONTRIBUTIONS

Contributions made by the group during the year for charitable purposes were £3,196 (1985 £NIL).

7. DISABLED PERSONS

It is established group policy to offer the same opportunity to disabled people as to all others in matters of recruitment and career advancement, provided they have the ability to perform the tasks required, and to provide retraining where necessary in cases where disability occurs during employment with the group.

8. EMPLOYEE INVOLVEMENT

The views of employees are obtained on matters affecting their interests through a Staff Council which meets on a regular basis.

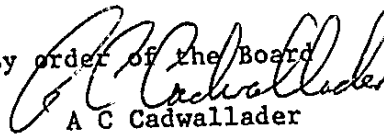
9. AUDITORS

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

10. POST BALANCE SHEET EVENT

Following an extraordinary general meeting of shareholders on 29th July 1986, at which it was resolved that the company should adopt limited liability, the company re-registered as a limited company on 1st September 1986 and now trades as Halcrow Holdings Limited.

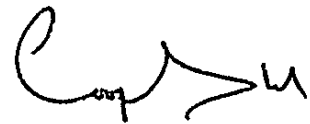
Vineyard House  
44 Brook Green  
London W6 7BY

By order of the Board  
  
A C Cadwallader  
Secretary  
14 OCT 1986

REPORT OF THE AUDITORS TO THE MEMBERS  
OF HALCROW HOLDINGS LIMITED  
(FORMERLY HALCROW HOLDINGS)

We have audited the financial statements set out on pages 4 to 17 in accordance with approved auditing standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company at 30 April 1986, and of the loss and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



Coopers & Lybrand  
Chartered Accountants

London | 4 OCT 1986

HALCROW HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH APRIL 1986

	Notes	1986 £	1985 £
Turnover	2	27,703,900	-
Cost of sales		<u>(20,018,714)</u>	<u>-</u>
Gross profit		7,685,186	-
Administrative expenses		<u>(8,586,812)</u>	<u>2,916</u>
Operating loss	3	(901,626)	(2,916)
Share of profits less losses of related companies	4	<span style="border: 1px solid black; padding: 2px;">(12,164)</span>	<span style="border: 1px solid black; padding: 2px;">-</span>
Other interest receivable and similar income	5	<span style="border: 1px solid black; padding: 2px;">129,547</span>	<span style="border: 1px solid black; padding: 2px;">-</span>
		117,383	-
Interest payable and similar charges	6	<u>(200,868)</u>	<u>-</u>
Loss on ordinary activities before taxation		(985,111)	(2,916)
Tax on loss on ordinary activities	9	<u>(23,322)</u>	<u>-</u>
		(1,008,433)	(2,916)
Profits attributable to minority interests		(27,762)	-
Loss for the year	19	<u>(1,036,195)</u>	<u>(2,916)</u>
<b>STATEMENT OF CONSOLIDATED RETAINED PROFITS/(LOSSES)</b>			
Retained profits at 1st May 1985		17,918	-
Consolidation surplus		-	20,834
Loss for the year		<u>(1,036,195)</u>	<u>(2,916)</u>
Accumulated (losses)/profits at 30th April 1986		<u>(1,018,277)</u>	<u>17,918</u>

The notes on pages 8 to 17 form part of these financial statements.  
Auditors' report on page 3.



HALCROW HOLDINGS LIMITED  
BALANCE SHEET - 30TH APRIL 1986

	Notes	1986	1985
		£	£
<b>FIXED ASSETS</b>			
Investments:			
Shares in subsidiaries	11	4,417,936	3,126,543
<b>CURRENT ASSETS</b>			
Debtors	13	85,259	70,463
Cash at bank		<u>5,541</u>	<u>78</u>
		90,800	70,541
CREDITORS-AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<u>1,842</u>	-
NET CURRENT ASSETS		<u>88,958</u>	<u>70,541</u>
		<u>4,506,894</u>	<u>3,197,084</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	6,700,000	3,200,000
Profit and loss account	19	<u>(2,193,106)</u>	<u>(2,916)</u>
		<u>4,506,894</u>	<u>3,197,084</u>
		<u>4,506,894</u>	<u>3,197,084</u>

  
R S BAXTER )

) DIRECTORS

R W ROTHWELL )



The notes on pages 8 to 17 form part of these financial statements.  
Auditors' report on page 3.

HALCROW HOLDINGS LIMITED  
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 30TH APRIL 1986

	1986		1985	
	£	£	£	£
<b>SOURCE OF FUNDS</b>		(985,111)		(2,916)
(Loss) on ordinary activities before taxation				
Adjustment for items not including the movement of funds:				
Depreciation of tangible fixed assets	503,121		-	
Provisions for liabilities and charges	27,314		-	
Currency realignment on fixed assets	2,669		-	
Profits attributable to minority interests	(27,762)		-	
Profit on sale of tangible fixed assets	<u>(20,421)</u>		-	
		484,921		-
<b>TOTAL GENERATED FROM OPERATIONS</b>		<u>(500,190)</u>		<u>(2,916)</u>
<b>FUNDS FROM OTHER SOURCES</b>				
Proceeds from issue and further calls of shares	3,500,000		3,198,600	
Reduction in loans to related companies	22,776		-	
Disposal of tangible fixed assets	107,646		-	
Decrease in minority interests	<u>27,531</u>		-	
		3,657,953		3,198,600
<b>TOTAL SOURCE OF FUNDS</b>		<u>3,157,763</u>		<u>3,195,684</u>
<b>APPLICATION/TRANSFER OF FUNDS</b>				
Purchase of tangible fixed assets	597,886		-	
Tax paid	172,402		-	
Movement in shares in related companies	11,496		-	
Reduction of loans	48,933		-	
Net assets acquired	<u>-</u>		<u>2,936,676</u>	<u>(2,936,676)</u>
		(830,717)		259,008
		<u>2,327,046</u>		
<b>MOVEMENT IN WORKING CAPITAL</b>				
Increase in work in progress	(1,012,080)		-	
Decrease in debtors	1,671,671		(70,463)	
Increase in creditors (excluding taxation and bank overdrafts)	<u>1,230,908</u>		<u>(188,467)</u>	<u>(258,930)</u>
		1,890,499		78
		<u>4,217,545</u>		<u>78</u>
		=====		=====
<b>MOVEMENT IN NET LIQUID FUNDS</b>				
Increase in investments	2,378,058		-	
Increase in cash at bank and in hand	3,570,066		78	
Increase in bank loans and overdrafts	<u>(1,730,579)</u>		-	78
		4,217,545		<u>78</u>
		=====		=====

Auditors' report on page 3.

HALCROW HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE FINANCIAL STATEMENTS - 30TH APRIL 1986

1 PRINCIPAL ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention.

(b) Consolidation

The consolidated accounts comprise the accounts of the company and all its subsidiary and related companies.

(c) Turnover

Turnover, which excludes sales between group entities and value added and similar taxes, represents amounts billed for professional services and items procured for clients, adjusted where necessary, for the stage of completion on individual contracts.

(d) Contract results

A major part of the activity of the group comprises business performed under long term contracts. Such contracts are subject to regular detailed financial and technical reviews to determine the estimated costs to completion, including, where necessary, provisions for contingencies. A proportion of the estimated contract profit is credited in the accounts as work progresses, according to the stage of completion. Generally the stage of completion is measured by reference to technical staff costs. Full provisions are made in respect of foreseeable losses on incomplete contracts.

(e) Work in progress and bills in advance

Long term contract work in progress is valued at cost plus a proportion of profits earned on contracts, less any provision considered necessary to reduce the carrying amounts to their net realisable values. Short term work in progress is valued at the lower of cost and net realisable value.

Cost comprises direct materials and labour and an appropriate proportion of both fixed and variable overheads.

Work in progress in the balance sheet is stated net of the amounts billed on account.

Bills in advance, which is included in creditors, represents amounts billed in excess of the carrying value of work in progress and is calculated by reference to individual contracts.

(f) Depreciation

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

HALCROW HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE FINANCIAL STATEMENTS - 30TH APRIL 1986  
CONTINUED

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

Leasehold property	-	period of lease
Motor vehicles	-	25%
Furniture and equipment	-	
- Micro computers	-	33%
- Other	-	20%

(g) Foreign currencies

The accounts of overseas entities which are stated in foreign currencies are translated into sterling using the average exchange rate for the financial year for Profit and Loss Account items and the year end exchange rate for assets and liabilities.

Transactions in foreign currencies undertaken by UK group entities are converted into sterling using the exchange rate applicable at the date of the transaction.

All exchange differences are dealt with through the Profit and Loss Account.

(h) Taxation

The charge of taxation is based on the results for the year as adjusted for disallowable items and for timing differences to the extent that they are likely to result in an actual tax liability in the foreseeable future.

Timing differences arise from the recognition for tax purposes of certain items of income and expenditure in a different accounting period from that in which they are recognised in the financial statements.

Foreign taxation arising in respect of overseas earnings is provided for in accordance with individual contract terms and local legislation and practice. Where appropriate, related UK taxation provisions are reduced to the extent that double taxation relief is available.

(i) Affiliated firms

Halcrow Holdings is a member of The Halcrow Partnership group of companies and firms. Other companies and firms which are members of this group are classified as affiliated firms.

2 TURNOVER

The contributions of the principal activities of the group to turnover and profit/(loss) before taxation are set out below:

	1986		1985	
	Turnover	Profit/(loss)	Turnover	Profit/(loss)
	before tax	before tax	before tax	before tax
	£	£	£	£
(a) Principal Activities				
Civil engineering services	22,871,111	(814,250)	-	(2,916)
Offshore engineering services	661,992	(151,047)	-	-
Surveying services	2,463,058	(15,842)	-	-
Architectural services	1,707,739	(3,972)	-	-
	<u>27,703,900</u>	<u>(985,111)</u>	<u>-</u>	<u>(2,916)</u>
	=====	=====	=====	=====

Included in turnover is £18,678,987 in respect of work subcontracted from The Halcrow Partnership, a United Kingdom based affiliated firm. For the purposes of the geographical analysis of turnover, shown below, this is allocated by the country of origin of the work.

**HALCROW HOLDINGS LIMITED**  
**AND ITS SUBSIDIARY COMPANIES**  
**NOTES TO THE FINANCIAL STATEMENTS - 30TH APRIL 1986**  
**CONTINUED**

(b)	Geographical Analysis	1986	1985
		£	£
	United Kingdom and Europe	13,070,642	-
	Middle East	4,285,207	-
	Far East	6,462,954	-
	Caribbean and North/Central America	1,147,635	-
	Africa	2,131,893	-
	Other	605,569	-
		27,703,900	-
		=====	=====
3	OPERATING LOSS		
	Operating loss is stated after charging:		
	Auditors' remuneration(company £1,150;1985 £NIL)	65,904	-
	Depreciation of tangible fixed assets	503,121	-
	Foreign exchange losses	467,794	-
	Bad debt provisions	334,781	-
	Directors' emoluments (including pension contributions)	-	-
	Redundancy payments	217,365	-
		=====	=====
	and after crediting:		
	Profit on sale of tangible fixed assets	20,421	-
		=====	=====
4	INCOME FROM FIXED ASSET INVESTMENTS		
	The group's share of profits less losses before tax relating to its interests in related companies and joint ventures is as follows:-		
	Halcrow-Balfour Ltd	(72,230)	-
	Balfour-Halcrow Joint Venture	2,428	-
	British Metro Consultants Group	(42,842)	-
	Halcrow Fox & Associates	107,406	-
	Others	(6,926)	-
		(12,164)	-
		=====	=====
5	OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		
	Interest on fixed interest securities	50,043	-
	Other interest receivable	79,504	-
		129,547	-
		=====	=====
6	INTEREST PAYABLE AND SIMILAR CHARGES		
	Interest payable on sums wholly repayable within five years	200,868	-
		=====	=====
7	EMPLOYEE INFORMATION		
	(a) The average number of persons employed by the group, including directors, during the year is analysed below:		
	By Principal Activity		
		Number	Number
	Civil and offshore engineering services	739	-
	Surveying services	107	-
	Architectural services	26	-
		872	-
		===	===

HALCROW HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE FINANCIAL STATEMENTS - 30TH APRIL 1986  
CONTINUED

(b) Group employment costs:		1986	1985
		£	£
Aggregate gross wages and salaries paid to group employees		10,680,123	-
Employers' national insurance contributions, or foreign equivalents		633,564	-
Employers' pension contributions under group pension schemes		326,948	-
		11,640,635	-
		=====	=====

## 8 DIRECTORS' EMOLUMENTS

None of the directors of Halcrow Holdings received emoluments for their services as directors of the company (1985: £NIL).

## 9 TAX ON LOSS ON ORDINARY ACTIVITIES

UK corporation tax based on the results for the year at 40%	(46,379)	-
Transfer to deferred taxation	25,000	-
	(21,379)	-
Non-UK taxation	31,473	-
	10,094	-
Share of related companies' tax charge	13,228	-
	23,322	-
	=====	=====

## 10 TANGIBLE FIXED ASSETS

	Short Leasehold Property £	Motor Vehicles £	Furniture and Equipment £	Total £
<u>COST</u>				
At 1st May 1985	-	628,974	3,848,963	4,477,937
Transferred from affiliated firm	18,116	39,438	72,340	129,894
Additions	-	249,089	301,126	550,215
Currency realignment	(3,571)	(1,701)	(10,802)	(16,074)
Disposals	-	(156,474)	(98,580)	(255,054)
At 30th April 1986	14,545	759,326	4,113,047	4,886,918
<u>DEPRECIATION</u>				
At 1st May 1985	-	247,831	2,989,933	3,237,764
Transferred from affiliated firm	13,407	14,371	54,445	82,223
Charge for year	2,271	161,597	339,253	503,121
Currency realignment	(2,852)	(1,613)	(8,940)	(13,405)
Disposals	-	(90,929)	(76,900)	(167,829)
At 30th April 1986	12,826	331,257	3,297,791	3,641,874
<u>NET BOOK VALUE</u>				
At 30th April 1986	1,719	428,069	815,256	1,245,044
	=====	=====	=====	=====
At 30th April 1985	-	381,143	859,030	1,240,173
	=====	=====	=====	=====

HALCROW HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE FINANCIAL STATEMENTS - 30TH APRIL 1986  
CONTINUED

11 FIXED ASSETS INVESTMENTS(a) Investment in subsidiaries

	1986	1985
	£	£
Investment at cost, 1st May 1985	3,126,543	189,867
Additions in year:		
Sir William Halcrow & Partners	3,500,000	1,999,998
Halcrow Middle East Ltd	692	8,261
Halcrow Staff and Services	-	928,417
	6,627,235	3,126,543
Less: Provisions against investments		
Sir William Halcrow & Partners	(2,208,461)	-
Halcrow Middle East Ltd	(236)	-
Others	(602)	-
	4,417,936	3,126,543

<u>Name of Company and</u> <u>Country of Registration</u>	<u>Description</u> <u>of</u> <u>shares held</u>	<u>Proportion of</u> <u>nominal value of</u> <u>issued shares held</u>
Halcrow Staff & Services (England)	Ordinary £1 shares	100%
Sir William Halcrow & Partners (England)	Ordinary £1 shares	100%
Halcrow Architects & Associates (England)	Ordinary £1 shares	100%
Halcrow Geotechnics, Transportation and Tunnels (England)	Ordinary £1 shares	100%
Halcrow Water (England)	Ordinary £1 shares	100%
Halcrow Maritime, Offshore and Energy (England)	Ordinary £1 shares	100%
Halcrow Middle East Ltd (Dubai, UAE)	Ordinary DH 10 shares	98%

The business activities of the principal subsidiaries are as follows:

- (i) Halcrow Staff & Services - supply of services to firms of consulting engineers.
- (ii) Sir William Halcrow & Partners - supply of consulting civil engineering services.

(b) Investment in related companies

	1986	1985
	£	£
Shares at cost	39,790	18,790
Group's share of post acquisition retained profits/ (losses) and reserves	(16,422)	(6,918)
	23,368	11,872
Halcrow Fox & Associates (England)	Ordinary 'B' £1 shares	50%
Alistair Tucker, Murray, Halcrow & Associates Ltd (England)	Ordinary 'B' £1 shares	50%
Halcrow-Balfour Ltd (England)	Ordinary 'A' £1 shares	50%
Halcrow-ULG Ltd (see note (i)) (England)	Ordinary £1 shares	10%
Shortlands Computing Services Ltd (England)	Preference £1 shares	18%

HALCROW HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE FINANCIAL STATEMENTS - 30TH APRIL 1986  
CONTINUED

- (1) Under the terms of a sale of shares agreement the group is entitled to 50% of the profits of the company until November 1989.

The business activities of the principal related companies are as follows:

- (i) Halcrow Fox & Associates - planning and transportation consultants  
(ii) Alistair Tucker, Murray, Halcrow & Assoc. Ltd - management consultants  
(iii) Halcrow-Balfour Ltd - public health engineering consultants

(c) Loans to related companies

	1986	1985
	£	£
Halcrow Fox & Associates	72,566	95,341
Alistair Tucker, Murray, Halcrow & Assoc. Ltd	26,500	26,500
Global Renewable Energy Services Ltd	11,500	11,500
	110,566	133,342
	=====	=====

12 STOCKS

- (a) Work in progress (see (b) below) 4,119,355  
===== 3,107,275  
=====

- (b) The inclusion of attributable profit in long term contract work in progress in accordance with SSAP 9 constitutes a departure from the valuation rules contained in Schedule 4 to the Companies Act 1985. This departure is necessary to enable the financial statements to give a true and fair view as required by Section 228 (5) of the Companies Act 1985. As it is not possible to allocate progress payments between costs and profits, it is impracticable to determine the effect of this departure on the amount attributed to long term contract work in progress in the balance sheet.

13 DEBTORS

	1986		1985	
	The Company £	The Group £	The Company £	The Group £
Amounts falling due within one year:				
Trade debtors	-	7,224,223	-	7,277,838
Amounts owed by group companies	85,259	-	2	-
Amounts owed by affiliated firms (see note 1(i))	-	92,383	70,461	275,204
Amounts owed by related companies	-	965,649	-	703,023
Other debtors	-	520,524	-	1,289,503
Prepayments and accrued income	-	552,703	-	1,491,585
	85,259	9,365,482	70,463	11,037,153
	=====	=====	=====	=====

14 INVESTMENTS

Listed UK government securities at cost (market value £2,413,750 1985:£NIL) -	2,378,058	-	-
	=====	=====	=====

HALCROW HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE FINANCIAL STATEMENTS - 30TH APRIL 1986  
CONTINUED

15	CREDITORS-AMOUNTS FALLING DUE WITHIN ONE YEAR	1986		1985	
	The Company	The Group	The Company	The Group	
	£	£	£	£	
(a)	Bank loans and overdrafts	-	2,961,562	-	1,230,983
	Bills in advance	-	4,065,375	-	3,104,323
	Trade creditors	-	1,882,639	-	1,398,982
	Amounts owed to affiliated firms (see note 1(i))	692	2,545,968	-	2,688,318
	Amounts owed to related companies	-	577,663	-	550,732
	Other creditors including taxation and social security (see (b) below)	-	1,076,791	-	1,369,911
	Accruals and deferred income	1,150	2,806,208	-	2,715,984
		<u>1,842</u>	<u>15,916,206</u>	<u>-</u>	<u>13,059,203</u>
		=====	=====	=====	=====
(b)	Other creditors including taxation and social security is made up as follows:				
	United Kingdom Corporation Tax	-	10,007	-	5,523
	Non-UK tax	-	252,298	-	361,266
		<u>-</u>	<u>262,305</u>	<u>-</u>	<u>366,789</u>
	Social Security	-	274,960	-	255,425
	Other	-	539,526	-	747,697
		<u>-</u>	<u>1,076,791</u>	<u>-</u>	<u>1,369,911</u>
		=====	=====	=====	=====
16	CREDITORS-AMOUNTS DUE AFTER MORE THAN ONE YEAR				
	Other Loans:				
	Clyde Petroleum plc	-	120,000	-	142,013
	Ewbank & Partners	-	108,424	-	135,344
		<u>-</u>	<u>228,424</u>	<u>-</u>	<u>277,357</u>
		=====	=====	=====	=====
	Amounts repayable more than five years hence, otherwise than by instalments	-	108,424	-	135,344
	Amounts repayable by instalments in less than five years hence	-	120,000	-	142,013
		<u>-</u>	<u>228,424</u>	<u>-</u>	<u>277,357</u>
		=====	=====	=====	=====
17	PROVISIONS FOR LIABILITIES AND CHARGES				
(a)	Provision for excesses on insurance claims	-	220,000	-	45,000
	Taxation, including deferred taxation (note (b))	-	95,798	-	140,394
	Provision for losses on forward exchange contracts	-	-	-	7,686
	Provision for losses on contracts	-	-	-	140,000
		<u>-</u>	<u>315,798</u>	<u>-</u>	<u>333,080</u>
		=====	=====	=====	=====

HALCROW HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE FINANCIAL STATEMENTS - 30TH APRIL 1986

(b) Taxation, including deferred taxation	1986 £	1985 £
Contribution for future tax liabilities on profits earned but not yet assessed	25,000	19,871
Corporation tax on accelerated capital allowances in the group	<u>70,798</u> <u>95,798</u> =====	<u>120,523</u> <u>140,394</u> =====

(c) Movement on the provisions is as follows:-

	<u>Insurance Excesses</u> £	<u>Deferred Taxation</u> £	<u>Exchange Contracts</u> £	<u>Contract Losses</u> £
Balance at 1st May 1985	45,000	140,394	7,686	140,000
Transfers from/(to) Profit and Loss account	<u>175,000</u>	<u>(44,596)</u>	<u>(7,686)</u>	<u>(140,000)</u>
Balance at 30th April 1986	<u>220,000</u> =====	<u>95,798</u> =====	<u>-</u> =====	<u>-</u> =====

18 SHARE CAPITAL

Ordinary shares of £1 each	1986	1985
Authorised	<u>12,000,000</u> =====	<u>12,000,000</u> =====
Allotted, issued and fully paid, 6,700,000 shares (1985:1,400 shares)	£ 6,700,000	£ 1,400
Allotted, issued and partly paid, NIL (1985:5,698,600 shares)	-	3,198,600
	<u>6,700,000</u> =====	<u>3,200,000</u> =====

During the year the unpaid element of the shares in issue at the beginning of the year was called and a further 1,000,000 ordinary shares of £1 each were allotted at £1 each.

The proceeds of both transactions were used for working capital.

19 PROFIT AND LOSS ACCOUNT

The movement on consolidated retained profits/(losses) is analysed below:-

	<u>Halcrow Holdings</u> £	<u>Subsidiary Companies</u> £	<u>Related Companies</u> £	<u>Total</u> £
At 1st May 1985	(2,916)	20,834	-	17,918
Retained profit/(loss) for the year	<u>(2,190,190)</u>	<u>1,153,995</u>	-	<u>(1,036,195)</u>
At 30th April 1986	<u>(2,193,106)</u> =====	<u>1,174,829</u> =====	<u>-</u> =====	<u>(1,018,277)</u> =====

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## 20 OVERSEAS ASSETS

Included in the balance sheet are the following items relating to contracts with a local government authority in Libya:

	1986 £'000s	1985 £'000s
Debtors	1,188	1,389
Work in progress	45	14
Bills in advance	(21)	(334)
Cash	108	29
	<u>1,320</u>	<u>1,098</u>
Provision	(481)	(231)
	<u>839</u>	<u>867</u>
	=====	=====

Difficulty has been encountered in obtaining payment and transfer of funds due to the absence of registration with the Libyan authorities and delays in the ratification of a contract with the client. During the year the position has improved as follows:

- (i) The group has registered with the Libyan Ministry of Planning
- (ii) The group has become a member of the Benghazi Chamber of Commerce
- (iii) The contract with the client has been ratified

The group has received, in Libya, £139K during the year together with another £108K subsequent to the year end.

In recognition of the difficult political and economic environment for UK companies operating in Libya a further provision of £250K has been made this financial year against the above assets, making a total provision of £481K. Additionally, included in taxation provisions is an amount of £60K (1985 £NIL) together with a further £297K (1985 £240K) provided by an affiliated firm, payment of which is contingent on the receipt or partial receipt of monies outstanding. In these circumstances, the directors feel that the provisions made adequately cover the group's exposure and are confident that the net assets related to the Libyan contracts will be fully realised.

## 21 CAPITAL COMMITMENTS

Capital expenditure authorised at 30th April 1986 but not provided in these financial statements amounted to £NIL (1985: £NIL).

## 22 CONTINGENT LIABILITIES

Guarantees given to banks for performance bonds and advance payments outstanding at 30th April 1986 totalled £856,700. These were partly secured.

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23 ASSETS PLEDGED

The group has lodged investments (gilt edged securities) to the value of £1,514,938 as security for a bank loan.

24 POST BALANCE SHEET EVENT

Following an extraordinary general meeting of shareholders on 29th July 1986, at which it was resolved that the company should adopt limited liability, the company re-registered as a limited company on 1st September 1986 and now trades as Halcrow Holdings Limited.

Auditors' report on page 3.