

# Halcrow Holdings Limited

Directors' Report and Financial Statements

31 December 1999

REGISTERED NUMBER: 1674044



**Halcrow**

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# Chairman's Statement

*Halcrow is dedicated to being the leading independent provider of infrastructure-based business solutions, consultancy and services. To support this ambition we are focussing on*

- commitment to bringing value to our clients*
- development of our people, processes and resources, so that our competitive edge continues to improve*
- building long term, value added relationships with clients and our partners*
- strengthening profitability*
- ensuring we have the right balance of capabilities, experience and development policies, to enable our clients to maximise their advantage in growth markets.*

*In 1999 my colleagues and I looked forward to the new millennium with great enthusiasm, and we established an ambitious programme to take us into the year 2000 and beyond. We looked very closely at our business, our clients and our people - and realised that there is much to be gained from the strengths we have, the close client partnerships we have established, and the expertise and professionalism of all Halcrow employees.*

We have invested significantly in our business to ensure high quality, value and the best solutions. Client focus remains the core driver - and we are working to ensure that we can meet the new challenges of the markets in which we operate.

Restructuring parts of the business and implementing new software has resulted in profits less than budgeted; the improvements are now coming through. In 1999 our turnover increased and the UK market grew for us, whilst trading in Asia remained uneven. In Asia we expect future growth and have opened offices in Singapore and India. We launched Halcrow Business Solutions in January 2000 to give clients a commercially based business consultancy. The Middle East and South American markets performed soundly, whilst work in Ireland has grown significantly. The Chief Executive's report selects some of our major project successes.

We continued with a substantial investment programme in training and resources aimed at making us more responsive to client needs. This led to success by staff in winning first and second places in a major, UK wide, management competition, and Halcrow achieving much of the Investors in People requirements. Our Intranet site "Halcrow University" is raising technical standards and increasing innovation; use is growing rapidly, whilst [www.halcrow.com](http://www.halcrow.com) continues to develop as a major global business channel.

We acknowledge the need for change and have issued all staff with the Group Strategy document outlining our plans for 2000 and beyond. We plan to improve our focus on clients by making our business more responsive to their needs. Our challenge is to build on the success we have had in the 90s.

As an employee owned firm, I encourage us all to strive to deliver world class quality and service to our clients in all we do.

*Derek Pollard*

# Chief Executive's Report

*1999 was a good year for Halcrow's clients, projects and staff. I am sure with continued efforts and increased client focus, we will build on this success.*

*Douglas Kennedy*

*1999 saw a continuation of the process of integrating all of our business into 'One Halcrow'. To reinforce our greater sense of direction, partnership, flexibility and innovation, the new Halcrow brand was introduced early in the year.*

After the previous short, 'eight month' financial year, 1999 was the first to follow the calendar year and fit better into global fiscal requirements. Gross turnover for the year to 31 December 1999 was £151.6 million, an increase of 5.7% over the previous year's annualised figure. Turnover increased at a faster rate in the UK, and the UK/international ratio was 58:42 compared with 54:46 the year before. This trend will continue during 2000, mainly as a result of the buoyant UK market.

A new client server financial system, Agresso, was introduced across the group during 1999. Despite initial teething problems, the system, which provides both accounting and project management information, is proving to be a worthwhile investment and an important management tool. We continue to invest in communication and management information systems that enable us to work in a more flexible and responsive way.

We have had some notable successes. Europe (excluding UK) has shown a 36% increase in turnover over the previous year's annualised figure. Within this market, The European Commission (EC) is our most important client, either through direct or indirect project funding. We continued to focus on the EU Candidate Member Countries. We established Halcrow Polska to target the substantial infrastructure projects that will be needed in Poland to meet EU norms. Our Warsaw office joins those in Brussels, Budapest and Moscow. The Costs and Benefits of Enlargement in the Transport Sector and the Water Quality Enhancement of the Danube River Basin, both for the EC-Phare Multi-Country Programme, are typical strategic projects which Halcrow is undertaking in connection with the expansion of European Union (EU) membership. In Ireland, Halcrow, together with our local partners, was successful in winning significant highway projects. The EC is contributing to these commissions through its Structural Funds.

Internationally, The Americas and Australasia all showed a substantial increase in turnover as a result of the increasing focus in these markets. Successes in Australia have included the completion of the Melbourne City Link and projects providing inputs into new Olympic facilities. Asia, while still our largest market outside the UK, showed a continuing reduction in turnover and now represents 18 per cent of the total. However a number of major projects continue including Bhairab Bridge, Bangladesh, whilst the Jamuna Bridge, also in Bangladesh, was completed. The Middle East and Africa also had reduced turnover during the year. A major geotechnical project was won in Hong Kong and Halcrow was successful in winning two major development projects in Dubai. We are preparing the Master Plan for Dubai Internet City, a new regional centre for e-business, media and distance-learning industries; and undertaking all marine engineering design and supervision for Westside Marina, a new residential, commercial and recreational hub for Dubai.

The UK market continues to grow for Halcrow, and we are continuing our involvement in some of the country's most important infrastructure projects. Construction of The Channel Tunnel Rail Link (CTRL), which had begun in October 1998, continued throughout the year. Halcrow is contributing fully as part of the Rail Link Engineering (RLE) joint venture. Following on from our success on CTRL, Halcrow became one of the founding members of the Tube Lines Group (TLG), which was short listed to bid for the JNP Infraco, part of London Underground Ltd's Public Private Partnership (PPP) initiative. Halcrow is also a member of the Sub Surface Lines Group (SSLG) bidding for the SSL Infraco. Two major framework contracts, The Gloucester County Council Term Contract re-bid and the Highway Agency Area 18 Contract, both won in the latter part of the previous year, commenced in April 1999.

Halcrow is also part of BAA's team for the delivery of their Terminal 5 Project at Heathrow. We have several roles in the team. However, the area where we feel we are adding greatest value to our client's business is in the provision of an integrated Opportunity Risk Management System. The aim is to stimulate innovations and enable opportunities and risk to be systematically balanced.

Significant transport planning strategic studies were also won and progressed. Halcrow led a multi-disciplinary team examining the options for road user and workplace parking charges in the Review of Congestion Charging Options for London (ROCOL) commission. Halcrow examined the feasibility, effectiveness and public acceptability of alternative schemes, one of which is now being taken forward, as a major component of the new Mayor's Transport Strategy for London. The Managing Integration project ensured that the Design Manual for Roads and Bridges reflected the sustainable transport strategies put forward in the UK Government's White Paper, whilst traffic was made safer by studies undertaken for Worcestershire County Council.

Following on from an earlier management study, we were awarded the design and supervision of a £2.5 million coastal defence scheme by GlaxoWellcome to protect their £100 million site at Montrose, on the east coast of Scotland. At Devonport, Halcrow is working in partnership with its client, Devonport Management Ltd, on the Submarine Refit Complex - the largest seismic retrofitting building project in the UK to date.

Halcrow's experts continue to provide innovative solutions to our clients' projects, and we have received commendations and awards including: the PFI Awards Project of the Year for Falkirk Schools, Scotland; The Royal Town Planning Institute Award for the Shrewsbury Integrated Transport Plan; the 1999 Saltire Society Design and Construction Award for the K&M Caisson Dock Gates at Rosyth Dockyard; the Canadian Award of Excellence for the Barbados Environmental Management and Land Use Planning project. The Airport Line (known during construction as the New Southern Railway), Australia also received a number of accolades.

1999 was a good year for Halcrow's clients, projects and staff. I am sure with continued efforts and increased client focus, we will build on this success.

## The directors present their report and the audited financial statements for the year ended 31 December 1999.

### 1. *Principal activity*

Halcrow Holdings Limited is the holding company for the Halcrow group of companies. The principal activity of the group is the provision of services as international consulting engineers.

### 2. *Change of financial year end and restatement of comparative figures*

The group's financial year end was changed from 30 April to 31 December with effect from 31 December 1998.

The comparative figures shown in these financial statements therefore relate to the eight months ended 31 December 1998.

The group has adopted Financial Reporting Standard 12 (FRS 12) on "Provisions, Contingent Liabilities and Contingent Assets". Accordingly the results for the period ended 31 December 1998 have been restated to adjust for an exceptional credit to cost of sales of £1,166,000 relating to the release of a provision for redundancy costs in that period and treat it as a prior year adjustment. The provision did not meet the conditions for recognition set out in FRS12.

### 3. *Group results and transfer to reserves*

The group made a profit on ordinary items before taxation of £977,000 (1998 as restated: £119,000 after an exceptional credit of £2,459,000).

There was a profit for the year after taxation of £659,000 (1998 as restated: loss of £694,000) which, after ordinary dividends of £173,000 (1998: £128,000), resulted in a retained profit of £486,000 (1998 as restated: loss of £822,000) which was transferred to reserves.

### 4. *Dividend*

In respect of the year ended 31 December 1999 the directors recommend a dividend payment on 6 October 2000 of 10.5p per ordinary share to those members on the register at the close of business on 5 September 2000.

Approval of the payment of the dividend will be put to the shareholders at the annual general meeting of the company to be held on 26 September 2000. The Halcrow Trust has waived its entitlement to this dividend.

## 5. *Business review and future developments*

The review of the business is included in the Chairman's Statement on pages 2 and 3 and in the Chief Executive's Report on pages 4 and 5.

## 6. *Share capital*

During the year, 23,608 ordinary shares of £1 each were issued to staff under the company's Savings-Related Share Option Scheme. Of these, 22,500 were issued at par and 1,108 were issued at £1.45. A further 48,871 ordinary shares of £1 each were issued to staff for a cash consideration of £1.66 per share.

The ordinary share capital of the company at 31 December 1999 was held beneficially as follows:

The Halcrow Trust:	16,028,928	ordinary shares (90.9%)
Directors and staff:	1,597,521	ordinary shares (9.1%)

The ordinary share capital at 30 June 2000 was held beneficially as follows:

The Halcrow Trust:	16,140,042	ordinary shares (91.6%)
Directors and staff:	1,487,407	ordinary shares (8.4%)

The 10,000 preference shares of £1 each were held beneficially by The Halcrow Trust at both 31 December 1998 and 31 December 1999.

## 7. *Directors*

The following served on the board of directors during the period under review:

D O Lloyd	(retired 30 April 1999)
D J Pollock, Chairman	
D S Kennedy, Chief Executive	
P G Gammie	
A K Allum	
L G Buck	
Sir Michael Angus, Non-executive director	(appointed 1 January 2000)

## 8. *Directors' interests in shares of the company*

The interests of persons who were directors at 31 December 1999 in the shares of the company were as follows:

	At 30 Jun 2000	At 31 Dec 1999	At 31 Dec 1998
	Number	Number	Number
Ordinary shares of £1			
D J Pollock	69,550	69,550	56,550
D S Kennedy	42,552	42,552	42,552
P G Gammie	49,450	49,450	34,450
A K Allum	10,811	10,811	8,100
L G Buck	14,207	13,207	5,400

**8. Directors' interests in shares of the company** - (continued)

Contingent interest in matched shares

	At 30 Jun 2000	At 31 Dec 1999	At 31 Dec 1998
Ordinary shares of £1	Number	Number	Number
D J Pollock	1,550	1,550	1,550
D S Kennedy	3,100	3,100	3,100
P G Gammie	3,100	3,100	3,100
A K Allum	3,100	3,100	3,100
L G Buck	1,500	1,500	1,500

The contingent interest in matched shares were awarded under the company's Employee Equity Incentive Scheme, details of which are given in paragraph 14 of this report.

Share Options

	At 30 Jun 2000	At 31 Dec 1999	At 31 Dec 1998
P G Gammie	12,746	12,746	12,746
L G Buck	2,243	2,243	2,243

The share options have been granted under the company's Savings-Related Share Option Scheme at nil consideration.

L G Buck's and P G Gammie's options may be exercised as follows:

	Number	Option Price £	Dates when exercisable
P G Gammie	5,609	1.23	Between 1 August 2000 and 31 January 2001
	7,137	1.45	Between 1 January 2003 and 30 June 2003
	<u>12,746</u>		
L G Buck	<u>2,243</u>	1.23	Between 1 August 2000 and 31 January 2001

Each of D J Pollock, P G Gammie, D S Kennedy and L G Buck has a non-beneficial interest in the share capital of the company by virtue of his directorship of Halcrow Staff and Services, which is trustee of The Halcrow Trust, as follows:

	At 30 Jun 2000	At 31 Dec 1999	At 31 Dec 1998
Ordinary shares of £1	16,140,042	16,028,928	15,692,888

The directors also have an interest as potential beneficiaries of the Halcrow Trust. The Trust's objectives include the provision of benefits to directors and staff of the company and its subsidiary undertakings.

## **9. *Close company status***

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

## **10. *Annual general meeting***

The notice convening the annual general meeting to be held at Burderop Park, Swindon SN4 0QD at 4.00pm on 26 September 2000 is contained in a circular sent to the shareholders with this report.

## **11. *Charitable contributions.***

Contributions made by the group during the year for charitable purposes were £14,000 (1998: £11,000).

## **12. *Employee involvement***

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

Consultation is achieved through a Staff Council which is elected by employees and meets on a regular basis.

Communication is achieved through the availability to employees of regular financial information and in-house magazines and the distribution of information relating to the resources, technical developments and achievements of the group.

The group believes that employee share ownership is an important contributor to employee involvement and it operates an internal market through which employees may buy and sell shares. It also operates a Savings-Related Share Option Scheme under which employees may save and subscribe for the company's shares on advantageous terms.

## **13. *Disabled persons***

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

## **14. *Employee Equity Incentive Scheme***

The group operates an Employee Equity Incentive Scheme under which directors and certain senior employees are encouraged to convert any annual bonus into shares of Halcrow Holdings Limited. Under the Scheme, the recipient of a bonus may elect to subscribe for shares at their net asset value with part or all of their net bonus after tax. Shares purchased under the Scheme are released at the end of a three year retention period and are then matched by an equal number of shares provided by the group.

No shares were issued under the Employee Equity Incentive Scheme in the year ended 31 December 1999 (1998: Nil).

### 15. *The millennium*

The group completed a programme to address the impact of year 2000 on computer systems, systems with embedded chips and systems installed for clients. To date no problems have arisen and no problems are anticipated in the future. No significant costs have been incurred to date in this respect and no costs are anticipated in the future.

### 16. *The euro*

A large proportion of the group's business is carried out in foreign currencies and the immediate impact of the introduction of the Euro is not considered to be significant. However, it is recognised that the adoption of the Euro by the United Kingdom could have significant implications for the group and these will be addressed as they arise.

### 17. *Auditors*

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

Registered office:  
Vineyard House  
44 Brook Green  
London W6 7BY

Registered number:  
1674044

By order of the board



K Mair  
Secretary  
28 July 2000

## Statement of directors' responsibilities

The directors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group at the end of the financial year and of the profit and cash flows of the group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

## Report of the auditors

We have audited the financial statements on pages 13 to 36.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the Annual Report. As described on page 11, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

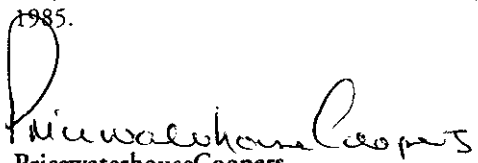
### *Basis of audit opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1999 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers**  
 Chartered Accountants and Registered Auditors  
 London  
 28 July 2000

## Consolidated profit and loss account

	Notes	12 months 1999	8 months 1998
		£000	As restated £000
Turnover before exceptional item		153,069	94,446
Exceptional item: credited to turnover	4	-	2,459
Total turnover of group and share of joint ventures		153,069	96,905
Less share of joint ventures		(1,449)	(1,269)
Group turnover	2	151,620	95,636
Cost of sales before exceptional item		(104,802)	(61,865)
Exceptional items: charged to cost of sales	4	-	(1,000)
Total cost of sales		(104,802)	(62,865)
Gross profit		46,818	32,771
Administrative expenses		(45,409)	(32,382)
Operating profit	3	1,409	389
Share of profits of joint ventures and associated undertakings		150	112
Interest receivable and similar income		71	84
Interest payable and similar charges	5	(653)	(466)
Profit on ordinary activities before taxation		977	119
Tax on profit on ordinary activities	8	(318)	(813)
Profit/(loss) for the year after taxation		659	(694)
Ordinary dividends	9	(173)	(128)
Retained profit/(loss) for the year	23	486	(822)

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

The group has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary items before taxation and the retained profit for the year stated above and their historical cost equivalents. —

## Consolidated balance sheet

	Notes	1999 £000	1998 £000
<b>Fixed assets</b>			
Intangible assets	10	4,519	5,033
Tangible assets	11	10,656	10,385
Investments in joint ventures			
Share of gross assets		1,114	1,122
Share of gross liabilities		(750)	(810)
	12	364	312
Investments in associated undertakings	12	229	227
Trade investments	13	75	48
		<u>15,843</u>	<u>16,005</u>
<b>Current assets</b>			
Debtors	15	76,010	60,162
Cash at bank and in hand		3,332	3,166
		<u>79,342</u>	<u>63,328</u>
<b>Creditors - amounts falling due within one year</b>	16	<u>(55,871)</u>	<u>(40,681)</u>
<b>Net current assets</b>		<u>23,471</u>	<u>22,647</u>
<b>Total assets less current liabilities</b>		39,314	38,652
<b>Creditors - amounts falling due after more than one year (including convertible debentures)</b>			
	17	(1,846)	(1,991)
<b>Provisions for liabilities and charges</b>	18	<u>(7,961)</u>	<u>(7,745)</u>
<b>Net assets</b>		<u>29,507</u>	<u>28,916</u>
<b>Capital and reserves</b>			
Called up share capital	19	17,636	17,564
Share premium account	20	1,270	1,237
Profit and loss account	23	10,601	10,115
<b>Total shareholders' funds</b>	24	<u>29,507</u>	<u>28,916</u>

The financial statements were approved by the board of directors on 28 July 2000 and signed on its behalf by:



D J Pollock  
Director



P G Gammie  
Director

## Company balance sheet

	Notes	1999	1998
		£000	As restated £000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	14	10,208	11,508
<b>Current assets</b>			
Debtors	15	18,170	16,114
Cash at bank and in hand		-	4,241
		18,170	20,355
<b>Creditors - amounts falling due within one year</b>	16	(446)	(2,077)
<b>Net current assets</b>		17,724	18,278
<b>Total assets less current liabilities</b>		27,932	29,786
<b>Creditors - amounts falling due after more than one year</b> (including convertible debentures)	17	(185)	(450)
<b>Provisions for liabilities and charges</b>	18	-	(2,021)
<b>Net assets</b>		27,747	27,315
<b>Capital and reserves</b>			
Called up share capital	19	17,636	17,564
Share premium account	20	1,270	1,237
Profit and loss account	23	8,841	8,514
<b>Total shareholders' funds</b>	24	27,747	27,315

The financial statements were approved by the board of directors on 28 July 2000 and signed on its behalf by:



D J Pollock  
Director



P G Gammie  
Director

## Consolidated cash flow statement

	Notes	1999	1998
		£000	As restated £000
<b>Net cash inflow/(outflow) from operating activities</b>	25	<u>2,332</u>	<u>(1,642)</u>
<b>Returns on investment and servicing of finance</b>			
Interest and similar income received		69	63
Interest paid		(571)	(401)
Interest element of finance lease payments		(76)	(80)
Net cash outflow from returns on investment and servicing of finance		<u>(578)</u>	<u>(418)</u>
<b>Taxation</b>			
United Kingdom corporation tax paid		(826)	(412)
Overseas tax paid		(1,080)	(930)
Total taxation		<u>(1,906)</u>	<u>(1,342)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,452)	(628)
Disposal of tangible fixed assets		107	1,183
Repayment of debenture by joint venture		-	216
Purchase of fixed asset investments		(27)	(48)
Net cash (outflow)/inflow for capital expenditure		<u>(1,372)</u>	<u>723</u>
<b>Acquisitions and disposals</b>			
Disposal of joint venture		-	18
Net cash inflow for acquisitions and disposals		<u>-</u>	<u>18</u>
<b>Equity dividends paid</b>		<u>(118)</u>	<u>(243)</u>
<b>Financing</b>			
Capital element of finance lease payments		(623)	(832)
Issue of ordinary share capital		105	446
Repayment of debentures		(62)	(57)
Repayment of bank loans		(429)	(214)
Net cash outflow from financing		<u>(1,009)</u>	<u>(657)</u>
<b>Decrease in cash in the year</b>		<u>(2,651)</u>	<u>(3,561)</u>

## Notes to the financial statements

### 1. *Principal accounting policies*

(a) **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) **Consolidation**

The consolidated financial statements comprise the financial statements of the company and all its subsidiary undertakings, joint ventures and associated undertakings. Any subsidiary undertakings and joint ventures sold or acquired during the year are included up to, or from, the date of sale or acquisition.

Intra-group sales and profits are eliminated fully on consolidation. On acquisition of a business, all of the assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the business are charged to the post acquisition profit and loss account.

The group has taken advantage under Financial Reporting Standard 8, "Related Party Disclosures", (FRS 8) not to disclose transactions and balances between group companies which are eliminated on consolidation.

Joint ventures are entities in which the group holds long-term interests and which are jointly controlled by the group and one or more other ventures under a contractual arrangement. The results of joint ventures are accounted for using the gross equity method of accounting.

Associated undertakings are entities in which the group has a participating interest and over whose operating and financial policies it exercises a significant influence. The result of associated undertakings are accounted for using the equity method.

(c) **Turnover**

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.

(d) **Recognition of profits**

Profit on contracts for the supply of professional services at pre-determined rates is taken as and when the work is carried out, irrespective of the duration of the contract.

Profit is taken on fixed price contracts while the contract is in progress, having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made for all foreseeable future losses.

**1. *Principal accounting policies*** (continued)

**(e) Amounts recoverable on contracts**

Amounts recoverable on contracts represent turnover which has not yet been invoiced to clients. Such amounts are separately disclosed within debtors.

The valuation of amounts recoverable on fixed price contracts is adjusted to take up profit to date or foreseeable losses in accordance with the accounting policy for recognition of profits.

Other amounts recoverable on contracts are valued at the lower of cost or estimated net realisable value.

Cost comprises:

- professional amounts recoverable valued at the cost of salaries and associated payroll expenses of employees engaged on projects.
- unbilled expenses incurred and equipment purchased for clients in connection with specific contracts.

Where amounts invoiced to clients exceed the book value of work done the excess is included in creditors as payments on account.

**(f) Goodwill**

Goodwill represents the difference between the cost of acquisition and the fair value of identifiable net assets acquired. Goodwill arising on acquisitions is capitalised in accordance with Financial Reporting Standard 10, "Goodwill and Intangible Assets" (FRS 10). Where these assets are regarded as having limited useful lives, they are amortised over these lives, which do not exceed twenty years. No goodwill balance has previously been eliminated against reserves in the year of acquisition.

**(g) Depreciation of tangible fixed assets**

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

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

Short leasehold property	-	Period of lease
Freehold property	-	1%
Motor vehicles	-	25%
Furniture and equipment:		
Computers	-	33%
Others	-	20%

**(h) 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.

## 1. *Principal accounting policies* (continued)

### (i) **Foreign currencies**

Transactions in foreign currencies are converted into sterling using the exchange rate applicable at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at year end exchange rates or, if appropriate, at a forward contract rate. All exchange differences are dealt with through the profit and loss account.

### (j) **Taxation**

The charge for 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 or recovery in the foreseeable future. Timing differences arise from the recognition for tax purposes of certain items of income and expenditure in different accounting periods from those in which they are recognised in the financial statements.

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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 United Kingdom taxation provisions are reduced to the extent that double taxation relief is available.

### (k) **Pensions**

Benefits are funded by payments to administered funds.

The main scheme is the Halcrow Pension Scheme which provides benefits calculated in relation to final salary. The expected cost of the pension benefits is charged to the profit and loss account, on the advice of an independent actuary, over the employees' service lives on the basis of a constant percentage of earnings. Variations from the regular pension cost are spread over the expected remaining service lives of current members of the scheme.

Differences between the amounts charged in the profit and loss account and payments made to pension funds are treated as assets or liabilities.

### (l) **Leases**

Payments under operating leases are charged to the profit and loss account on an accruals basis. Assets funded by finance leases are included in tangible fixed assets at their fair value. The excess of lease payments over the recorded lease obligations is treated as a finance charge which is amortised over the term of each lease to give a constant rate of charge in the profit and loss account over the remaining period of the obligations.

## 2. *Segmental information* - Geographical analysis

	1999	1998
	£000	£000
<b>Turnover</b>		
United Kingdom	88,507	51,864
East Asia	19,633	15,080
The Americas	13,020	6,359
Middle East	9,331	7,528
Europe (excluding United Kingdom)	9,088	4,445
South Asia	7,652	5,988
Africa	2,118	3,294
Australia	2,271	1,078
	<u>151,620</u>	<u>95,636</u>

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

	1999	1998
	£000	As restated £000
<b>Profit on ordinary items before taxation</b>		
United Kingdom	3,768	1,077
East Asia	(490)	80
The Americas	(1,395)	228
Middle East	841	(243)
Europe (excluding United Kingdom)	(801)	(393)
South Asia	(53)	13
Africa	(23)	(38)
Australia	(288)	(223)
	<u>1,559</u>	<u>501</u>
Net interest	(582)	(382)
	<u>977</u>	<u>119</u>

**2. Segmental information - (continued)**

	1999	1998
		As restated
<b>Net assets</b>	<b>£000</b>	<b>£000</b>
United Kingdom	26,306	22,917
East Asia	7,182	3,525
The Americas	(4,684)	1,471
Middle East	3,281	1,629
Europe (excluding United Kingdom)	3,383	2,070
South Asia	1,193	1,015
Africa	(119)	757
Australia	699	860
	<u>37,241</u>	<u>34,244</u>
Less: unallocated net liabilities	<u>(7,734)</u>	<u>(5,328)</u>
	<u>29,507</u>	<u>28,916</u>

**3. Operating profit**

	1999	1998
	£000	£000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration for audit		
- group	198	222
- company	15	15
Auditors' remuneration for other services	336	217
Depreciation of tangible fixed assets		
- owned	1,559	1,139
- based	530	353
Amortisation of goodwill	514	333
Bad debt expense	370	1,391
Profit on sale of tangible fixed assets	(54)	(96)
Exchange losses/(gains)	392	(212)
Operating leases		
rent of properties receivable	(164)	(114)
rent of properties payable	4,064	2,392
hire of vehicles and equipment	843	157

**4. Exceptional items**

	1999	1998
		As restated
<b>Operating exceptional item credited to turnover:</b>	<b>£000</b>	<b>£000</b>
Channel Tunnel Rail Link fee receivable	<u>-</u>	<u>2,459</u>
<b>Operating exceptional item charged to cost of sales:</b>		
Bad debt provided for	<u>-</u>	<u>(1,000)</u>

The operating exceptional credit to turnover of £2,459,000 in the period ended 31 December 1998 relates to a fee receivable in connection with stage 1 of the Channel Tunnel Rail Link project. The fee became receivable when the stage 2 financial close was completed in February 1999. Because the work for stage 1 of the project was completed before 30 April 1998, there is no associated cost for this fee recorded in cost of sales in the period ended 31 December 1998. Applicable to this exceptional credit is a tax charge of £762,000.

#### 4. *Exceptional items* - (continued)

The operating exceptional bad debt charge of £1,000,000 in the period ended 31 December 1998 relates to a provision established against long outstanding Middle East debtor accounts. The financial statements for the period ended 31 December 1998 included a release of redundancy provisions of £1,166,000 as an exceptional credit to cost of sales. As has been disclosed in note 22, the results for that period have been restated to exclude this item. There was no net tax effect relating to these items.

#### 5. *Interest payable and similar charges*

	1999	1998
	£000	£000
Interest payable on:		
Bank loans and overdrafts payable within five years	500	312
Finance leases	76	80
Debentures	19	11
All other loans	58	63
	<u>653</u>	<u>466</u>

#### 6. *Employee information*

	1999	1998
	£000	£000
(a) The average number of persons, including directors, employed by the group during the year was:		
Professional and technical	2,328	2,207
Administrative	649	613
	<u>2,977</u>	<u>2,820</u>
(b) Staff costs during the year were:		
Wages and salaries	72,573	45,427
Social security costs	4,993	3,031
Other pension costs	4,727	2,307
	<u>82,293</u>	<u>50,765</u>

#### 7. *Directors' emoluments*

	1999	1998
	£000	£000
Staff costs include the following emoluments of directors of Halcrow Holdings Limited:		
Aggregate emoluments	709	476
Contributions to money purchase pension arrangement	10	5
	<u>719</u>	<u>481</u>

**7. Directors' emoluments** - (continued)

Retirement benefits are accruing to all five directors under the Halcrow Pension Scheme, a defined benefit scheme, in respect of qualifying services:

	1999	1998
	<u>£000</u>	<u>£000</u>
Aggregate emoluments include amounts paid to:		
The highest paid director	<u>150</u>	<u>97</u>
The highest paid director had benefits under the Halcrow Pension Scheme as follows:		
Accrued annual pension at end of year	<u>43</u>	<u>41</u>

**8. Tax on profit on ordinary activities**

	1999	1998
	<u>£000</u>	<u>£000</u>
United Kingdom corporation tax at 30.25% (1998: 31%)		
current year	160	560
adjustment to prior year provision	<u>(26)</u>	<u>77</u>
	134	637
less: double taxation relief	<u>(129)</u>	<u>(177)</u>
	5	460
Overseas taxation	273	301
Share of joint ventures' tax charge	<u>40</u>	<u>52</u>
	<u>318</u>	<u>813</u>

The financial statements for the period ended 31 December 1998 show a profit on ordinary activities before taxation of £119,000. The tax charge of £813,000 is disproportionately high and arises because provisions charged in the profit and loss account are not deductible for United Kingdom corporation tax purposes.

**9. Ordinary dividends**

	1999	1998
	<u>£000</u>	<u>£000</u>
Proposed final: 10.5p (1998: 7p) per ordinary share	183	128
Less: adjustment in respect of prior period	<u>(10)</u>	<u>-</u>
	<u>173</u>	<u>128</u>

The Halcrow Trust waived its rights to dividends payable in respect of both the year ended 31 December 1999 and the period ended 31 December 1998.

The proposed dividend for the year ended 31 December 1999 is calculated at 10.5p on 1,740,000 shares. This is the estimated number of shares that will be held by shareholders eligible to receive the dividend.

## 10. *Intangible assets - goodwill*

	1999
<b>Cost</b>	<u>£000</u>
At 1 January and 31 December 1999	<u>6,647</u>
<b>Amortisation</b>	
At 1 January 1999	1,614
Charge for the year	<u>514</u>
At 31 December 1999	<u>2,128</u>
<b>Net book value at 31 December 1999</b>	<u>4,519</u>
Net book value at 31 December 1998	<u>5,033</u>

The goodwill arises on the purchase of:

Halcrow Fox and Associates Limited  
 Transportation Systems and Market Research Limited  
 Crouch Hogg Waterman Limited  
 Halcrow Pacific Pty Limited  
 Mechanical and Electrical Design Associates  
 The water engineering design and survey business of Southern Water plc

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

## 11. *Tangible fixed assets*

Group	LAND AND BUILDINGS		MOTOR VEHICLES	FURNITURE & EQUIPMENT	TOTAL
	Freehold	Short Lease			
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 January 1999	6,849	498	1,413	8,025	16,785
Additions	-	87	43	2,283	2,413
Disposals	-	-	(252)	(53)	(305)
At 31 December 1999	<u>6,849</u>	<u>585</u>	<u>1,204</u>	<u>10,255</u>	<u>18,893</u>
<b>Depreciation</b>					
At 1 January 1999	520	154	1,083	4,643	6,400
Charge for the year	69	89	135	1,796	2,089
Disposals	-	-	(212)	(40)	(252)
At 31 December 1999	<u>589</u>	<u>243</u>	<u>1,006</u>	<u>6,399</u>	<u>8,237</u>
<b>Net Book Value</b>					
At 31 December 1999	<u>6,260</u>	<u>342</u>	<u>198</u>	<u>3,856</u>	<u>10,656</u>
At 31 December 1998	<u>6,329</u>	<u>344</u>	<u>330</u>	<u>3,382</u>	<u>10,385</u>

## 11. *Tangible fixed assets* - (continued)

Tangible fixed assets shown above include fixed assets held under finance leases as follows:

	1999	1998
	£000	£000
Net book value at end of year		
Motor vehicles	-	57
Furniture and equipment	1,221	1,028
	<u>1,221</u>	<u>1,085</u>
Depreciation charge for the year		
Motor vehicles	-	136
Furniture and equipment	530	217
	<u>530</u>	<u>353</u>

### **Freehold property**

The group's freehold property at Burderop Park, Swindon, Wiltshire, is included in the balance sheet at its purchase price plus the cost of additions. Its purchase price was equal to a valuation by Kemp & Hawley, Chartered Surveyors, on an open market basis as at 30 April 1990.

In the directors' opinion the property is carried in the books of the group at its open market value.

### **Company**

The company has no tangible fixed assets.

## 12. *Investments in joint ventures and associated undertakings*

### **Group**

#### **Joint ventures:**

<b>Cost plus share of retained profit</b>	<u>£000</u>
At 1 January 1999	312
Share of retained profits in the year	110
Disposal	<u>(58)</u>
<b>At 31 December 1999</b>	<u>364</u>

#### **Associated undertakings:**

<b>Cost plus share of retained profit</b>	<u>£000</u>
At 1 January 1999	227
Share of retained profits in the year	<u>2</u>
<b>At 31 December 1999</b>	<u>229</u>

**13. Trade investments**

<b>Group</b>	
<b>Cost</b>	<u>£000</u>
At 1 January 1999	48
Addition	<u>27</u>
<b>At 31 December 1999</b>	<u>75</u>

None of the investments included in the above amounts is listed on a recognised investment exchange. The directors consider the market value of the trade investments at 31 December 1999 to be not less than their carrying value.

**14. Investments in subsidiary undertakings**

<b>The Company</b>	
<b>Shares in subsidiary undertakings</b>	
<b>Cost</b>	<u>£000</u>
At 1 January 1999	12,627
Disposal (see below)	<u>(1,300)</u>
<b>At 31 December 1999</b>	<u>11,327</u>
<b>Provisions</b>	
At January and 31 December 1999	<u>1,119</u>
<b>Net book value at 31 December 1999</b>	<u>10,208</u>
Net book value at 31 December 1998	<u>11,508</u>

Halcrow Insurances Limited, a subsidiary undertaking, was liquidated in the year. The amount falling due to the company on its liquidation of £1,300,000 was offset against a loan of an equal amount owed by the company to Halcrow Insurances Limited.

None of the investments included in the above amounts is listed on a recognised investment exchange. The principal subsidiary undertakings are listed in note 34 of the financial statements.

**15. Debtors**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Trade debtors	37,274	31,613	-	-
Amounts recoverable on contracts	22,928	20,982	-	-
Amounts owed by subsidiary undertakings	-	-	17,834	15,636
Other debtors	9,608	3,057	8	8
Prepayments and accrued income	<u>4,610</u>	<u>2,920</u>	<u>328</u>	<u>470</u>
	74,420	58,572	18,170	16,114
<b>Amounts falling due in more than one year</b>				
Deferred taxation:				
Tax effect of timing differences				
due to pension cost provision	1,590	1,590	-	-
	<u>76,010</u>	<u>60,162</u>	<u>18,170</u>	<u>16,114</u>

**16. Creditors - amounts falling due within one year**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Bank loans and overdrafts				
- unsecured	-	1,443	-	-
- secured	7,734	3,689	214	429
Payments on account	12,963	11,182	-	-
Trade creditors	7,243	8,225	-	-
Obligations under finance leases	730	454	-	-
Amounts owed to joint ventures	186	255	-	-
Amounts owed to subsidiary undertakings	-	-	-	1,350
Amounts owed to associated undertakings	184	-	-	-
United Kingdom corporation tax	217	1,260	-	-
Other taxation and social security	6,317	4,084	-	41
Debentures	47	58	47	58
Other creditors	16,776	4,927	2	12
Accruals and deferred income	3,291	4,976	-	59
Proposed dividend	183	128	183	128
	<u>55,871</u>	<u>40,681</u>	<u>446</u>	<u>2,077</u>

Bank loans and overdrafts are secured by fixed and floating charges over the group's assets.

**17. Creditors - amounts falling due after more than one year**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Bank loan - secured	-	214	-	214
Debentures - unsecured	185	236	185	236
Obligations under finance leases	627	565	-	-
Accruals and deferred income	1,034	976	-	-
	<u>1,846</u>	<u>1,991</u>	<u>185</u>	<u>450</u>

**Bank loan**

The bank loan is repayable in quarterly instalments of £107,000 until April 2000. The company has entered into an interest rate "swap" agreement so that the effective rate of interest is fixed at 9.42% per annum. The loan is secured by fixed and floating charges over the group's assets.

**Debentures**

The debentures were issued to the vendors of Crouch Hogg Waterman Limited as part of the purchase consideration. They bear interest at 7% per annum and are repayable in ten equal half yearly instalments to each holder after he ceases to be employed by the group.

Of the total value of debentures, £50,141 may be converted to ordinary shares at the option of the holders at any time after 19 June 2000. The price of an ordinary share to be used as the basis for calculating the number of ordinary shares to be allotted will be equal to net assets per share calculated from the figure for shareholders' funds disclosed in the company's financial statements at the date of conversion.

**17. Creditors - amounts falling due after more than one year - (continued)****Group and Company**

The movements on debentures were as follows:	1999	1998
	£000	£000
Balance at beginning of the year	294	351
Redemptions	(62)	(57)
	232	294
Classified as current liability	(47)	(58)
Balance at end of the year	185	236

**Obligations under finance leases**

Amounts shown above as obligations under finance leases falling due after more than one year are due between the second and fifth years inclusive.

**18. Provisions for liabilities and charges**

Group	At	Charged/	Paid	Transferred	At
	1 Jan	(credited) to	in	from	31 Dec
	1999	profit & loss	year	creditors	1999
	£000	£000	£000	£000	£000
Pension costs	6,149	(163)	-	-	5,986
Property dilapidation	376	50	-	-	426
Excesses on insured claims	480	185	-	115	780
Staff travel benefit	400	43	-	-	443
Consideration for acquisition	168	-	(28)	-	140
Contract losses	172	14	-	-	186
	7,745	129	(28)	115	7,961

Company	1999	1998
	£000	£000
<b>Liabilities of subsidiary undertakings</b>		
Balance at beginning of the year	2,021	2,021
Released in the year	(2,021)	-
Balance at end of the year	-	2,021

Details of provisions are as follows:

**Pension costs**

The provision for pension costs represents the timing difference between the cost of the Halcrow Pension Scheme and the agreed funding. Further details are given in notes 1(k) and 31 to the financial statements.

**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 2000 and 2015.

## 18. *Provisions for liabilities and charges* - (continued)

### **Excesses on insured claims**

When claims have been made against the group, provision is made for the amount that falls within the excess of the group's professional indemnity insurance policy.

### **Staff travel benefit**

Staff employed by Transportation Systems and Market Research Limited at the time of its acquisition from the British Railways Board in 1993 are entitled to rail travel which is paid for by the group. The provision represents the discounted expected future cost of this benefit over the lifetime of the staff and pensioners who have this benefit.

### **Consideration for acquisition**

The provision represents the expected amount of deferred consideration for an acquisition made in 1997. The final instalment of the deferred consideration is payable in August 2000.

### **Contract losses**

Provision is made in accordance with SSAP 9 for contracts whose expected contribution does not include a reasonable allocation of overheads.

### **Liabilities of subsidiary undertaking**

The company had made provision for the deficit of a subsidiary undertaking, Halcrow Properties Limited, which ceased trading in 1997. Halcrow Properties Limited was struck off the register of companies under the provisions of section 652A of the Companies Act 1985. Accordingly this amount was released in the year.

### **Deferred tax**

There are no potential deferred tax liabilities.

## 19. *Share capital*

### **Group and company**

	1999	1998
	£000	£000
<b>Authorised:</b>		
25,000,000 ordinary shares of £1 each	25,000	25,000
10,000 non-redeemable preference shares of £1 each	10	10
	<u>25,010</u>	<u>25,010</u>
	1999	1998
	£000	£000
<b>Allotted and fully paid:</b>		
17,626,449 (1998: 17,553,970) ordinary shares of £1 each	17,626	17,554
10,000 non-redeemable preference shares of £1 each	10	10
	<u>17,636</u>	<u>17,564</u>

**19. Share capital - (continued)**

	1999	1998
	<u>£000</u>	<u>£000</u>
<b>Increase in allotted ordinary shares of £1 each:</b>		
At beginning of the year	17,553	17,119
Allotted to staff under Savings-Related Share Option Scheme:		
23,608 (1998: 435,367) ordinary shares of £1 each	24	435
Issued for cash:		
48,871 (1998: nil) ordinary shares of £1 each	49	-
At end of the year	<u>17,626</u>	<u>17,554</u>

The preference shares of £1 each are non-redeemable. The holders have no voting rights but have the right, as a class, to appoint two directors. They have a non-cumulative right to receive a dividend of 1p per share prior to any distribution to holders of the ordinary shares. In the event of a winding up they have the right to a return of assets to the value of £1 per share before any payment to the holders of ordinary shares.

Under the group's Employee Equity Incentive Scheme directors and certain senior employees are "awarded" shares in the company. These shares are held by The Halcrow Trust for a period of three years when they vest unconditionally with the employee.

The company is considered to have de facto control over these "awarded shares".

As at 31 December 1999, the Trust held 22,990 (1998: 22,990) awarded shares on behalf of the employees with a value of £38,462 (1998: £37,865).

These amounts have not been recognised in the financial statements. This treatment has no impact on the results of the company or the group.

**20. Share premium account**

<b>Group and company</b>	1999	1998
	<u>£000</u>	<u>£000</u>
At the beginning of the year	1,237	1,226
On shares issued during the year	33	11
At end of the year	<u>1,270</u>	<u>1,237</u>

## 21. Options

Options in respect of 1,608,981 ordinary shares of £1 each were outstanding at 31 December 1999 under the group's Savings-Related Share Option Scheme. These may be exercised as follows:

Number	Option Price	Dates when exercisable
55,179	£1.19	2000/1
126,857	£1.23	2000/1
68,669	£1.23	2002/3
980,177	£1.45	2003
378,099	£1.45	2005
<u>1,608,981</u>		

In some circumstances, including the redundancy or death of the holder, options may be exercised at earlier dates than those shown above.

## 22. Prior year adjustment

The group has adopted Financial Reporting Standard 12 on "Provisions, Contingent Liabilities and Contingent Assets".

Accordingly the results for the period ended 31 December 1998 have been restated to exclude an exceptional credit to cost of sales of £1,166,000 relating to the release of a provision for redundancy costs in that period and relate the credits to the periods in which the provision was originally made. The provision did not meet the conditions for recognition set out in FRS12.

## 23. Profit and loss account

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
At beginning of the year				
as previously reported	10,115	9,771	8,514	8,233
Prior year adjustment (note22)	-	1,166	-	-
As restated	<u>10,115</u>	<u>10,937</u>	<u>8,514</u>	<u>8,233</u>
Retained profit/(loss) for the year	486	(822)	327	281
At end of the year	<u>10,601</u>	<u>10,115</u>	<u>8,841</u>	<u>8,514</u>

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the holding company alone is not presented as part of these financial statements. The profit dealt with in the accounts of the company was £500,000 (1998: £409,000)

**24. Total shareholders' funds**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
At beginning of the year				
as previously reported	28,916	28,126	27,315	26,588
Prior year adjustment (note 22)	-	1,166	-	-
As restated	28,916	29,292	27,315	26,588
Profit for the year after taxation	659	(694)	500	409
Ordinary dividends	(173)	(128)	(173)	(128)
Allotment of ordinary shares	105	446	105	446
At end of the year	29,507	28,916	27,747	27,315

**Analysis of shareholders' funds**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Equity interests:				
Ordinary share capital	17,626	17,554	17,626	17,554
Share premium account	1,270	1,237	1,270	1,237
Profit and loss account	10,601	10,115	8,841	8,514
	29,497	28,906	27,737	27,305
Non-equity interests:				
Preference share capital	10	10	10	10
	29,507	28,916	27,747	27,315

**25. Net cash inflow/(outflow) from operating activities**

	1999	1998
	£000	As restated £000
Operating profit	1,409	389
Depreciation of tangible fixed assets	2,089	1,492
Amortisation of goodwill	514	333
Profit on sale of fixed assets	(54)	(96)
Movements in provisions	216	286
(Increase) in debtors	(16,085)	(3,924)
Increase/(decrease) in creditors	14,243	(122)
	2,332	(1,642)

**26. Reconciliation of net debt**

	1999	1998
	£000	£000
Decrease in cash in the year	(2,651)	(3,561)
Capital element of finance lease payments	623	832
Repayment of debenture loans	62	57
Repayment of bank loan	429	214
New finance leases	(961)	(791)
Movement in net debt in the year	(2,498)	(3,249)
Net debt at beginning of the year	(3,493)	(244)
Net debt at end of the year	(5,991)	(3,493)

**27. Net debt**

	1999	1998
	£000	£000
Cash at bank and in hand	3,332	2,203
Bank loans and overdrafts		
amounts falling due within one year	(7,734)	(4,169)
amounts falling due after more than one year	-	(214)
Obligations under finance leases		
amounts falling due within one year	(730)	(454)
amounts falling due after more than one year	(627)	(565)
Debentures		
amounts falling due within one year	(47)	(58)
amounts falling due after more than one year	(185)	(236)
	(5,991)	(3,493)

All movements in net debt arose from cash flow.

**28. Capital commitments**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Contracted but not provided for in the financial statements	61	22	-	-

**29. Contingent liabilities**

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Performance and advance payment bonds provided by banks	6,516	8,955	-	-
Borrowings of subsidiary undertakings for which guarantees have been given	-	-	6,740	14,259
	6,516	8,955	6,740	14,259

**29. Contingent liabilities** - (continued)

Where contract values are denominated in foreign currencies, the group in some cases enters into forward exchange contracts to protect the sterling value of its future earnings.

The company has also provided guarantees on behalf of subsidiary undertakings in respect of property leases entered into in the ordinary course of business and has agreed to continue to support certain of its subsidiary undertakings.

**30. Lease commitments**

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Land and buildings				
Leases which expire:				
Within one year	798	861	-	-
In second to fifth years	883	881	-	-
After more than five years	2,115	1,941	-	-
	<u>3,796</u>	<u>3,683</u>	-	-
Vehicles and equipment				
Leases which expire:				
Within one year	820	30	-	-
In second to fifth years	954	358	-	-
	<u>1,774</u>	<u>388</u>	-	-

**31. Pension commitments**

The group operates various pension schemes for eligible employees. The assets of all schemes are held separately from those of the group, and are invested by independent investment managers.

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

Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of regular valuations.

The most recent valuation of the Scheme was at 5 April 1998, and the actuary used the projected unit method. The actuary was not an officer or employee of the company or group. The main assumptions were that the long term rate of return on investments would be 8.5% per annum prior to retirement and 7.5% per annum after retirement, that salaries would increase by 5.5% per annum, that pensions in payment would increase by 3.5% per annum or, if appropriate, at 5% per annum. Assets were valued by an average market value method and were brought into account at 85% of their market value at 5 April 1998. The valuation showed that the Scheme held assets with an actuarial valuation of £136.6m which represented 109% of the value of benefits that had accrued to members after allowing for expected future increases in pensionable salaries.

**31. Pension commitments** - (continued)

In accordance with SSAP24, an amount of £5,419,000 (1998: £5,750,000) is included in provisions and represents the timing difference between the costing of this Scheme and the agreed funding (see note 1(k) to the financial statements). A further provision of £567,000 (1998: £399,000) is held in respect of another scheme.

The charge for pensions to the profit and loss account was £4,727,000 (1998: £2,307,000).

**32. Assets pledged**

The group has granted fixed and floating charges over all its assets as security for banking facilities

**33. Related party transactions**

**Joint ventures**

In the course of normal operations, the group has contracted on an arm's length basis with Halcrow Water Services Limited which is a joint venture. The transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are shown below:

	1999	1998
	£000	£000
Sales	196	149
Purchases	530	153

There was an amount of £186,000 owed to Halcrow Water Services Limited by the group at 31 December 1999.

There were no transactions with or amounts due to or from Vituki Consult Rt at 31 December 1999 (1998: nil).

**Associated undertakings**

There were no significant transactions with Davy British Rail International Limited during the year. There was an interest free loan of £184,000 owed to Davy British Rail International Limited at 31 December 1999 (1998: £184,000).

### 34. *Principal subsidiary and associated undertakings and joint ventures*

<b>Subsidiary undertakings:-</b>	Percentage owned:-
Halcrow Group Limited *	100%
Halcrow Consulting Limited	100%
Halcrow Asia Partnership Limited*	100%
Halcrow Asia Limited*	100%
Halcrow China Limited*	100%
Halcrow International Limited*	100%
Halcrow International Partnership*	100%
Halcrow Management Sciences Limited*	100%
Halcrow Pacific Pty Limited*	100%
Halcrow Rural Management Limited*	100%
Sir William Halcrow & Partners, Inc*	100%
Sir William Halcrow & Partners (Malaysia) Limited*	100%
Burderop Investments Limited	100%
 <b>Joint ventures:-</b>	
Halcrow Water Services Limited*	49%
Vituki Consult Rt*	33%
 <b>Associated undertaking:-</b>	
Davy British Rail International Limited*	40%

All holdings are of ordinary shares.

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

All these undertakings are registered in England except:

Halcrow Pacific Pty Limited	- registered in Australia
Halcrow China Limited	- registered in Hong Kong
Sir William Halcrow & Partners, Inc	- registered in U.S.A.
Vituki Consult Rt	- registered in Hungary

The principal country of operation of all these undertakings is Great Britain except the following undertakings which operate in the areas indicated:

Halcrow Asia Partnership Limited	East Asia
Halcrow Asia Limited	East Asia
Halcrow International Partnership	Middle East
Halcrow Pacific Pty Limited	Australia
Halcrow Rural Management Limited	Worldwide
Sir William Halcrow & Partners, Inc	U.S.A.
Sir William Halcrow Partners (Malaysia) Limited	East Asia
Halcrow China Limited	East Asia
Vituki Consult Rt	Eastern Europe

The principal activity of all the above undertakings is the supply of services as consulting engineers, except for Burderop Investments Limited whose principal activity is property investment.