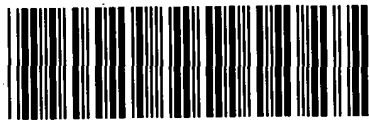


**HALCROW HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**REGISTERED NUMBER: 01674044**

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

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**HALCROW HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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

**Our Business**

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

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

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

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

**Principal Risks and Uncertainties Related to Our Business**

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

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

**HALCROW HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

(continued)

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

**Credit risk** - this is primarily attributable to the company's trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

**Going concern** - whilst the Board considers that significant improvements in the operating performance of the Group have continued during the last financial year (in part through additional restructuring), and are optimistic that its trading position can continue to be improved, it is not certain that it will improve sufficiently to service its finance and pension costs or to restore the balance sheet to a position that enables the Group to repay debt owed to its parent and meet the pension liability. Further details of the Directors' assessment of the Company and the Group and its ability to continue as a going concern can be found in Note 1(c) to the financial statements.

**Key Performance Indicators**

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

**Business Review**

Overall 2014 proved to be another challenging year notwithstanding good performance in the UK Transportation franchise. Turnover decreased from £361.1 million in 2013 to £343.7 million in 2014, a decrease of 5 per cent. A profit before taxation of £12.5 million in 2013 decreased to a loss before taxation of £6.3 million in 2014.

**United Kingdom, Ireland and Europe** - This region accounted for 63 per cent of the business in 2014, an increase of 3 per cent. Revenues held steady, with turnover moving from £215.4 million in 2013 to £215.2 million. Gross margins also remained steady in the year. Whilst the Transportation market has certainly picked up in the last 12-18 months, competition for market share in the UK, as well as in the Water market, is fierce. The Transportation market continued to be boosted by large volumes of work coming mainly from Framework agreements within the Highways business. Results are also supported by the large UK infrastructure programmes in which the company is engaged, including Crossrail. Growth in our Transportation business was masked by continued downsizing in the Urban Planning and Buildings sectors in the UK.

**Middle East and Africa** - Turnover increased from £74.0 million in 2013 to £81.3 million in 2014, an increase of 10 per cent. 2014 witnessed growth in the infrastructure sector in both the UAE and Qatar. Growth in Qatar was driven by the Doha Expressway set of projects. With increasing competition, new projects were awarded with lower gross margins, and together with increased costs incurred on a few projects, gross margins reduced in the year.

**HALCROW HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

(continued)

**The Americas** - As intended, in 2014 we continued to contract our Americas operations such that turnover significantly decreased in this region, moving from £15.2 million in 2013 to £9.7 million in 2014, a decrease of 36 per cent. In North America, turnover decreased by 68 per cent. We experienced margin erosion and further staff reductions in the Canadian Buildings business as we continued the wind down of this operation, however, our focus during the year continued to be on completing remaining project commitments to a high standard. In Latin America turnover reduced by 15 per cent following completion of a number of projects and refocussing of the business. Gross margin in Latin America remained steady.

**Asia and Australasia** - Turnover decreased in this region, moving from £56.6 million in 2013 to £37.5 million in 2014, a decrease of 34 per cent. This was mainly due to the wind down of Sydney Trains and of the Roy Hill Mine projects in Australia. Slowdowns in the Mining and Rail markets led to staff releases and management reductions.

**Common Income** - a lease obligation for office space was entered into by a subsidiary company in 1981 which required Halcrow to continue to make lease payments until 2080. This space was previously occupied and used as one of the Company's primary office locations. Subsequently the space was subleased out to third parties. In 2012 we obtained a final third party determination of the fair value of this lease obligation and an onerous lease provision was made of £25 million in the 2011 financial statements. In September 2013 we entered into an agreement to terminate our obligations under this lease. Under the terms of the agreement we paid £16 million to a third party, resulting in a gain on termination of the lease of £9 million in the year to 31 December 2013. The 2014 results are therefore reduced by the absence of such an exceptional gain.

**Restructuring** - In September 2014, we commenced certain restructuring activities in order to achieve important business objectives, including enhancing client service, improving efficiency, reducing risk and creating more opportunity for profitable growth across the Halcrow group. These restructuring plans included such items as the evaluation of certain lines of business, a number of employee terminations, the closure of certain facilities and reducing overhead costs. During the year to 31 December 2014 we incurred redundancy costs of £5.4 million and made an onerous lease provision of £1.7 million relating to the closure of an office, total restructuring costs of £7.1 million. Once all restructuring activities are completed we expect these to result in significant annualised cost savings.

**Administrative expenses** - in total these costs reduced by £8.0 million, moving from £95.7 million in 2013 to £87.7 million in 2014. Adding back the exceptional gain of £9.4 million in 2013 relating to the lease termination referred to above to the 2013 costs, administrative expenses are more clearly seen to have moved from £105.1 million in 2013 to £87.7 million in 2014, a reduction of £17.4 million. A large part of this reduction was as a result of the restructuring of support functions and further office consolidations, leading to a benefit in terms of reduced costs.

**Market Outlook**

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

**HALCROW HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

(continued)

**Middle East and Africa** - We expect continued growth in the Middle East, where we have had a long-term presence. International focus on Qatar has increased in anticipation of the FIFA World Cup in 2022 and the scaling up of its investments to deliver the Qatar National Vision 2030. The UAE is expected to spend over US\$300 billion by 2030 on infrastructure development as the construction sector bounces back after the economic downturn in 2008. We are expecting to achieve growth in infrastructure projects in Dubai and Abu Dhabi.

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

**Asia and Australasia** - Impending elections in New South Wales provide uncertainty but we are continuing to seek market and state diversity. We have pulled back from Thailand and the Philippines due to low profitability and we are focusing on our Rail, Ports and Tunnelling markets elsewhere within the region. We have enjoyed some recent success in Rail work in the Malaysia market.

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

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

**People Investment** - To invest in staff across the enterprise, we have significantly increased spending for learning and development. The business and accounting systems were upgraded in July 2014. All staff were given appropriate training on the new project delivery tools and accounting systems, enhancing efficiency across the group. Employees have access to a variety of learning opportunities, including through the CH2M HILL University, which consists of eight schools ranging from risk management to business development. This is in addition to a variety of professional network groups within the group organisation, such as the Women's Network and one for junior to mid-level staff.

By order of the board of directors on 6 January 2016



T S Chaudhary

Secretary

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

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

**1 Principal activity**

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

**2 Group results**

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

**3 Going concern**

Whilst the Board considers that significant improvements in the operating performance of the Group have continued during the last financial year (in part through additional restructuring), and are optimistic that its trading position can continue to be improved, it is not certain that it will improve sufficiently to service its finance and pension costs or to restore the balance sheet to a position that enables the Group to repay debt owed to its parent and meet the pension liability. Further details of the Directors' assessment of the Company and the Group and its ability to continue as a going concern can be found in Note 1(c) to the financial statements.

**4 Dividend**

The directors have not recommended a dividend payment in respect of the year ended 31 December 2014 (2013: 0.0p) per ordinary share.

**5 Share capital**

The ordinary share capital of the company at 31 December 2014 was held beneficially as follows:

CH2M HILL Europe Limited	21,837,979 ordinary shares (100%)
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**HALCROW HOLDINGS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

(continued)

**6 Directors**

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

J Baker (resigned 8 September 2015)

A J F Coates (resigned 28 November 2014)

S E Harrington (resigned 16 March 2015)

B R Shelton

J C Rowntree (appointed 12 January 2015)

S J Hannis (appointed 12 January 2015)

**7 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 a variety of means that deliver regular information relating to the finances, resources, technical developments and achievements of the group.

CH2M HILL Companies, Ltd. believes that employee share ownership is an important factor in employee involvement and an internal market is operated through which employees may buy and sell shares in CH2M HILL Companies, Ltd.

**8 Disabled persons**

The group'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 group as to all other staff, where this is practicable. The employment of those who become disabled whilst in the employment of the group is continued wherever possible and appropriate training is arranged.

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

**9 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 auditor is aware of that information.

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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on  
its behalf by:



T S Chaudhary  
Secretary  
6 January 2016

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

Registered Number:  
01674044

**HALCROW HOLDINGS LIMITED**  
**DIRECTORS' RESPONSIBILITIES STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and of the loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of Halcrow Holdings Limited for the year ended 31 December 2014 set out on pages 11 to 41. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of Matter – going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the group's and the Company's ability to continue as a going concern. At 31 December 2014 after a pension liability of £295.6m (2013 £242.0m) and funding, due on demand, to its ultimate parent of £119.4m (2013 £107.6m), the Group had net liabilities of £361.2m (2013 £291.9m). It also had net current liabilities. Given its balance sheet position, the ultimate parent is considering *inter alia* whether to continue to fund the Group. This matter, along with the other matters explained in note 1, indicate the existence of material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern. The financial statements do not include any adjustments that would arise from the going concern basis not being appropriate.

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

(continued)

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

*Chartered Accountants*

15 Canada Square

London

E14 5GL

8 January 2016

**HALCROW HOLDINGS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	<u>2014</u> £000	<u>2013</u> £000
<b>Group turnover</b>	3	343,694	361,102
Cost of sales		<u>(239,764)</u>	<u>(237,947)</u>
Gross profit		103,930	123,155
Administrative expenses		<u>(87,665)</u>	<u>(95,689)</u>
Operating profit before one off costs:		16,265	18,035
Analysed as:			
Onerous lease release		-	9,431
<b>Operating profit</b>	4	16,265	27,466
Exceptional costs analysed as:			
Restructuring costs	5	(7,086)	-
Share of profit of joint ventures	13	155	229
Interest receivable and similar income	6	12	61
Interest payable and similar charges	7	<u>(15,667)</u>	<u>(15,277)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		(6,321)	12,479
Tax on (loss)/profit on ordinary activities	10	<u>(2,197)</u>	<u>(3,128)</u>
<b>(Loss)/profit for the year after taxation</b>	23,25	<u><u>(8,518)</u></u>	<u><u>9,351</u></u>

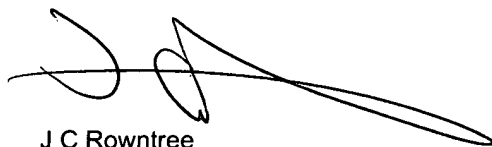
Notes on pages 16 to 41 form part of these financial statements.

**HALCROW HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014**

	Notes	2014 £000	2013 £000
<b>Fixed assets</b>			
Intangible assets			
Goodwill	11	-	-
Tangible assets			
Investments in joint ventures	12	10,754	11,195
Investments in associated undertakings	13	1,177	1,050
	13	<u>841</u>	<u>812</u>
		<u>12,772</u>	<u>13,057</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	131,681	123,010
Debtors: amounts falling after more than one year	16	1,158	468
Cash at bank and in hand		<u>19,158</u>	<u>31,988</u>
		151,997	155,466
Creditors: amounts falling due within one year	17	<u>(223,431)</u>	<u>(211,621)</u>
<b>Net current liabilities</b>		<u>(71,434)</u>	<u>(56,155)</u>
<b>Total assets less current liabilities</b>		(58,662)	(43,098)
Creditors: amounts falling after more than one year	18	(113)	(768)
Provisions for liabilities and charges	19	<u>(6,839)</u>	<u>(6,021)</u>
<b>Net liabilities (excluding pension liability)</b>		(65,614)	(49,887)
Net pension liability	32	<u>(295,634)</u>	<u>(242,006)</u>
<b>Net liabilities (including pension liability)</b>		<u>(361,248)</u>	<u>(291,893)</u>
<b>Capital and reserves</b>			
Called up share capital	20	21,838	21,838
Share premium account	21	7,150	7,150
Profit and loss account	23	(393,639)	(325,375)
Translation reserve	24	<u>3,403</u>	<u>4,494</u>
<b>Shareholder's deficit</b>	25	<u>(361,248)</u>	<u>(291,893)</u>

Notes on pages 16 to 41 form part of these financial statements.

The financial statements for Halcrow Holdings Limited, registered number 01674044, were approved by the board of directors and authorised for issue on 6 January 2016. They were signed on its behalf by:



J C Rowntree  
 Director

**HALCROW HOLDINGS LIMITED**  
**COMPANY BALANCE SHEET AT 31 DECEMBER 2014**

	Notes	2014 £000	2013 £000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	15	<u>6,684</u>	<u>4,200</u>
		<u>6,684</u>	<u>4,200</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	31,658	28,948
Cash		<u>31,695</u>	<u>28,799</u>
		63,353	57,747
Creditors: amounts falling due within one year	17	<u>(125,373)</u>	<u>(96,379)</u>
<b>Net current liabilities</b>		<u>(62,020)</u>	<u>(38,632)</u>
<b>Total assets less current liabilities</b>		(55,336)	(34,432)
Provision for liabilities and charges	19	(276)	(300)
<b>Net liabilities</b>		<u>(55,612)</u>	<u>(34,732)</u>
<b>Capital and reserves</b>			
Called up share capital	20	21,838	21,838
Share premium account	21	7,150	7,150
Profit and loss account	23	<u>(84,600)</u>	<u>(63,720)</u>
<b>Shareholder's deficit</b>	25	<u>(55,612)</u>	<u>(34,732)</u>

Notes on pages 16 to 41 form part of these financial statements.

The financial statements for Halcrow Holdings Limited, registered number 01674044, were approved by the board of directors and authorised for issue on 6 January 2016. They were signed on its behalf by:



J C Rowntree  
 Director

**HALCROW HOLDINGS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	<u>2014</u> £000	<u>2013</u> £000
<b>Net cash (outflow)/inflow from operating activities</b>	26	<u>(18,269)</u>	<u>1,789</u>
<b>Returns on investment and servicing of finance</b>			
Interest received		12	61
Interest paid		(1,049)	(116)
Interest element of finance lease payments		(81)	(157)
Repayment of part investment in joint venture		<u>6</u>	<u>1,455</u>
Net cash (outflow)/inflow from returns on investment and servicing of finance		<u>(1,112)</u>	<u>1,243</u>
<b>Taxation</b>			
Overseas tax paid		<u>(1,940)</u>	<u>(2,147)</u>
Total cash outflow from taxation		<u>(1,940)</u>	<u>(2,147)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(2,264)	(3,001)
Disposal of tangible fixed assets		<u>4</u>	<u>-</u>
Net cash outflow for capital expenditure and financial investment		<u>(2,260)</u>	<u>(3,001)</u>
<b>ACQUISITIONS AND DISPOSALS</b>			
Net cash outflow from sale of Pakistan business		-	(92)
Net cash outflow from merger of Brazil business with that of a related party		<u>-</u>	<u>(238)</u>
Net cash outflow for acquisitions and disposals		<u>-</u>	<u>(330)</u>
<b>Cash outflow before financing</b>		<u>(23,581)</u>	<u>(2,446)</u>
<b>Financing</b>			
Net capital element of finance lease drawdowns		(763)	(706)
(Repayment)/increase of bank overdrafts		(277)	270
Loans from parent and related company undertakings		<u>11,843</u>	<u>17,700</u>
Net cash inflow from financing		<u>10,803</u>	<u>17,264</u>
<b>(Decrease)/increase in cash in the year</b>	27,28	<u><u>(12,778)</u></u>	<u><u>14,818</u></u>

Notes on pages 16 to 41 form part of these financial statements.

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

	Notes	<u>2014</u> £000	<u>2013</u> £000
(Loss)/profit after taxation		(8,518)	9,351
Actuarial losses relating to the pension scheme	32	(59,746)	(19,506)
Movement on translation reserve		<u>(1,091)</u>	<u>(4,113)</u>
Total gains and (losses) recognised relating to the financial year		<u><u>(69,355)</u></u>	<u><u>(14,268)</u></u>

Notes on pages 16 to 41 form part of these financial statements.

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

**1 PRINCIPAL ACCOUNTING POLICIES**

(a) Basis of accounting

The financial statements have been prepared under the historical convention in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the current and preceding year.

(b) New UK GAAP

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

(c) Going concern

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons.

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

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

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

(continued)

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

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

These circumstances represent a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would arise from the going concern basis not being appropriate.

(d) 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 and associates 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 provisional 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 of the exemption under FRS 8 "Related Party Disclosures" 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 results of associated undertakings are accounted for using the net equity method.

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

(continued)

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

(e) Turnover and recognition of profit

Turnover represents amounts earned for professional services and items procured for clients, adjusted, where necessary, for the stage of completion on individual contracts. It excludes value added and similar taxes.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

(f) Amounts recoverable on contracts

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

The valuation of amounts recoverable on fixed-price contracts is adjusted to recognise profit earned to date or foreseeable losses in accordance with the accounting policy for turnover and recognition of profits.

Cost comprises:

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

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

(g) Fixed assets

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

(h) Depreciation of tangible fixed assets

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

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

Short leasehold property	Period of lease
Freehold land	Nil
Freehold property	2%
Motor vehicles	20%
Furniture and equipment:	
Computers	20% - 33%
Others	10% - 33%

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

(continued)

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

(i) 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.

(j) Investments

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

(k) 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 Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

(l) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Deferred tax is measured on a non-discounted basis. Timing differences arise from the inclusion of items in income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(m) Pensions

Benefits are funded by payments to trustee administered funds.

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

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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

(continued)

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**(n) Leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

**(o) Provisions for liabilities and charges**

Property dilapidations - the group makes provision for the expected amount of payments to be made to landlords of properties leased by the group at their termination.

Excesses on insured claims - the group makes provision where claims have been made against the group, which fall within the excess of the group's professional indemnity insurance policy, to the extent that it is considered probable that an obligation will arise.

Onerous leases - provision is made in respect of vacant properties, or onerous property terms associated with the group's leased portfolio. The provision will be utilised over the remaining periods of the relevant leases.

**2 (LOSS) / PROFIT OF PARENT COMPANY**

In accordance with the exemption allowed by S408 of the Companies Act 2006, the profit and loss account of the parent has not been presented. Of the profit for the period attributable to the shareholders, a loss of £20,880,000 (2013: profit of £3,113,000) has been dealt with in the accounts of the parent.

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

(continued)

**3 SEGMENTAL INFORMATION**

The directors consider there to be one class of business, being consulting engineers. Geographical analyses of turnover, loss on ordinary activities before taxation and net liabilities are set out below:

	<u>2014</u>	<u>2013</u>
	£000	£000
<b>Group Turnover</b>		
United Kingdom, Ireland and Europe	215,232	215,374
Asia and Australasia	37,461	56,566
The Americas	9,735	15,179
Middle East and Africa	81,266	73,983
	<u>343,694</u>	<u>361,102</u>

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

	<u>2014</u>	<u>2013</u>
	£000	£000
<b>(Loss)/Profit on ordinary activities before taxation</b>		
United Kingdom, Ireland and Europe	23,253	15,349
Asia and Australasia	(7,473)	(164)
The Americas	(5,291)	(6,552)
Middle East and Africa	(1,155)	9,631
	<u>9,334</u>	<u>18,264</u>
Net interest excluding exchange loss on foreign currency borrowings	(15,655)	(15,216)
Common income	-	9,431
	<u>(6,321)</u>	<u>12,479</u>

	<u>2014</u>	<u>2013</u>
	£000	£000
<b>Net liabilities</b>		
United Kingdom, Ireland and Europe	15,197	721
Asia and Australasia	10,580	17,120
The Americas	7,725	19,564
Middle East and Africa	37,285	35,135
	<u>70,787</u>	<u>72,540</u>
Unallocated net liabilities	(432,035)	(364,433)
	<u>(361,248)</u>	<u>(291,893)</u>

Common income in 2013 relates to profits recognised in respect of the disposal of an onerous lease.

Unallocated net liabilities consist of the pension scheme liabilities as described in note 31; the provision for onerous leases as described in note 18 in respect of 2013; and balances with related party and group undertakings as described in notes 15 and 16.

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

(continued)

**4 OPERATING PROFIT**

	<u>2014</u>	<u>2013</u>
	£000	£000
Operating profit is stated after charging/(crediting):		
Auditor's remuneration for audit		
- group	50	50
- subsidiaries	190	200
Depreciation of tangible fixed assets		
- owned	1,897	2,488
- leased	701	701
Amortisation of goodwill	-	69
Decrease in bad debt provisions	(843)	(3,133)
Redundancy and other related costs	-	378
Onerous lease release	-	(9,431)
Loss on sale of tangible fixed assets	116	2,067
Exchange (gains) / losses	1,621	(8,723)
Operating leases		
Motor vehicles	434	598
Rent of properties payable	<u>8,007</u>	<u>11,165</u>

The group audit fee includes £50,000 (2013: £50,000) in respect of the company. With the remainder for the audit of subsidiaries, all audit remuneration fees were paid by a subsidiary company. There were no non audit services in the year.

The disposal of an onerous lease in 2013 realised a gain on disposal in that year.

Rent of properties payable has fallen due to benefits arising from office consolidations.

**5 RESTRUCTURING COSTS**

	<u>2014</u>	<u>2013</u>
	£000	£000
Redundancy and other related costs	5,359	-
Onerous lease provision	<u>1,727</u>	<u>-</u>
	<u>7,086</u>	<u>-</u>

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

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2014</u>	<u>2013</u>
	£000	£000
Interest receivable on:		
Short term bank deposits	11	41
Other Interest	<u>1</u>	<u>20</u>
	<u>12</u>	<u>61</u>

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2014</u>	<u>2013</u>
	£000	£000
Interest payable on:		
Bank loans and overdrafts	92	116
Finance leases	81	157
Net interest charge on pension schemes	8,595	9,559
Loans from related parties	5,942	5,109
Other	<u>957</u>	<u>336</u>
	<u>15,667</u>	<u>15,277</u>

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

(continued)

<b>8 EMPLOYEE INFORMATION</b>	<u>2014</u>	<u>2013</u>
	Number	Number
(a) The average number of persons, including directors, employed by the group during the year was:		
Professional and technical	3,687	3,992
Administrative	342	514
	<u>4,029</u>	<u>4,506</u>
	<u>2014</u>	<u>2013</u>
(b) Staff costs during the year were:	£000	£000
Wages and salaries	171,485	179,167
Social security costs	11,946	11,985
Other pension costs	18,274	19,286
Redundancy costs	5,359	378
	<u>207,064</u>	<u>210,816</u>
	<u>2014</u>	<u>2013</u>
<b>9 DIRECTORS' EMOLUMENTS</b>	£000	£000
Staff costs include the following emoluments of directors of Halcrow Holdings Limited:		
Aggregate emoluments	417	427
Compensation for loss of office	261	-
Contributions to money purchase pension arrangement	37	28
	<u>715</u>	<u>455</u>
	<u>Number</u>	<u>Number</u>
The number of directors who:		
Are members of a money purchase pension scheme	<u>2</u>	<u>2</u>
Aggregate emoluments include amounts paid to:		
The highest-paid director	<u>2014</u>	<u>2013</u>
	£000	£000
Emoluments	319	288
Contributions to money-purchase pension arrangements	26	18
	<u>26</u>	<u>18</u>
The highest paid director had benefits under the Halcrow Pension Scheme as follows:		
	<u>2014</u>	<u>2013</u>
	£000	£000
Accrued annual pension at end of year	<u>37</u>	<u>36</u>

No directors, including the highest paid director, exercised share options during the year (2013: nil).

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

(continued)

**10 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	<u>2014</u>	<u>2013</u>
	£000	£000
United Kingdom corporation tax at 21.5% (2013: 23.25%)		
Current year	204	140
Adjustment in respect of prior periods	<u>(355)</u>	<u>2,324</u>
	(151)	2,464
Overseas taxation		
Current year	1,025	666
Adjustment in respect of prior periods	<u>1,102</u>	<u>(2)</u>
<b>Total current tax</b>	<u><u>1,976</u></u>	<u><u>3,128</u></u>
Deferred taxation, origination and reversal of timing differences	<u>221</u>	<u>-</u>
<b>Total deferred tax</b>	<u><u>221</u></u>	<u><u>-</u></u>
<b>Tax charge on (loss)/profit on ordinary activities</b>	<u><u>2,197</u></u>	<u><u>3,128</u></u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 21.5% (2013: 23.25%). The actual tax charge for the current and the previous year varies from the standard rate for the reasons set out in the following reconciliation.

	<u>2014</u>	<u>2013</u>
	£000	£000
<b>(Loss)/Profit on ordinary activities before tax</b>	<u>(6,321)</u>	<u>12,479</u>
Tax on (loss)/profit on ordinary activities at standard rate	(1,359)	2,901
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	148	(4,489)
Capital allowances for period in excess of depreciation	413	-
Other timing differences	(1,535)	(183)
Tax losses not utilised	1,736	1,201
Group relief surrendered	640	1,047
Overseas tax suffered	975	-
Overseas tax charge/(credit) re prior periods	1,102	(2)
United Kingdom tax (credit)/charge re prior periods	(355)	2,324
Differences in overseas tax rates	7	474
Additional addback/(deduction) for R&D expenditure	<u>204</u>	<u>(145)</u>
<b>Total current tax</b>	<u><u>1,976</u></u>	<u><u>3,128</u></u>

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

(continued)

**10 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)**

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

A deferred tax asset of £84 million (2013: £63 million) has not been recognised in respect of timing differences of £410 million (2013: £316.4 million) relating to depreciation, tax losses, pension and other expenses as there is insufficient evidence that the losses will be utilised in the foreseeable future. The asset would be recovered if sufficient future taxable profits were to be made in the appropriate jurisdictions.

**11 INTANGIBLE ASSETS - GOODWILL**

	Goodwill
<b><u>GROUP</u></b>	
<b>Cost</b>	£000
At 1 January 2014 and 31 December 2014	<u>24,942</u>
<b>Amortisation</b>	
At 1 January 2014 and 31 December 2014	<u>24,942</u>
<b>Net book value</b>	
At 31 December 2014 and 31 December 2013	<u><u>-</u></u>

Goodwill is amortised on a straight-line basis over periods of between 5 and 20 years. These are the periods over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

**COMPANY**

The company has no intangible assets.

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

(continued)

**12 TANGIBLE FIXED ASSETS**

<b>GROUP</b>	<b>Land and buildings</b>		<b>Motor vehicles</b>	<b>Furniture and equipment</b>	<b>Total</b>
	<b>Freehold</b>	<b>Leases</b>			
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>					
At 1 January 2014	8,153	7,528	738	29,584	46,003
Exchange movement	-	(86)	(7)	71	(22)
Additions	-	1,533	-	731	2,264
Disposals	-	(171)	(75)	(2,025)	(2,271)
At 31 December 2014	8,153	8,804	656	28,361	45,974
<b>Depreciation</b>					
At 1 January 2014	4,678	3,045	700	26,385	34,808
Exchange movement	-	(44)	(6)	15	(35)
Charge for the year	188	876	25	1,509	2,598
Disposals	-	(123)	(72)	(1,956)	(2,151)
At 31 December 2014	4,866	3,754	647	25,953	35,220
<b>Net Book Value</b>					
At 31 December 2014	3,287	5,050	9	2,408	10,754
At 31 December 2013	3,475	4,483	38	3,199	11,195

**Freehold property**

The group's freehold property at Burderop Park, Swindon, Wiltshire, was disposed of subsequent to the year end for a consideration of £4,700,000. This supports the carrying value of the property in the financial statements.

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

(continued)

**12 TANGIBLE FIXED ASSETS - continued**

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

	<u>2014</u> £000	<u>2013</u> £000
<b>Cost</b>		
At 1 January	3,974	3,974
Additions	-	-
At 31 December	<u>3,974</u>	<u>3,974</u>
<b>Depreciation</b>		
At 1 January	2,688	1,987
Charge	701	701
At 31 December	<u>3,389</u>	<u>2,688</u>
<b>Net Book Value</b>		
At 31 December	<u>585</u>	<u>1,286</u>

**COMPANY**

The company has no tangible fixed assets.

**13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATED UNDERTAKINGS**

**Group**

<b>Joint Ventures:</b>	£000
<b>Cost plus share of retained profit</b>	
At 1 January 2014	1,050
Additions	7
Share of profits earned in the year	155
Investment return	(6)
Exchange movements	(29)
<b>At 31 December 2014</b>	<u>1,177</u>

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

<b>Associated Undertakings:</b>	£000
<b>Cost plus share of retained profit</b>	
At 1 January 2014	812
Exchange movements	29
<b>At 31 December 2014</b>	<u>841</u>

During 2013 the group invested £812,000 in CH2M HILL Brasil Engenharia Ltda, representing 4% of the issued share capital of that company.

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

(continued)

**14 TRADE INVESTMENTS**

<b>Group</b>	<b>£000</b>
<b>Cost</b>	
At 1 January 2014	7
Disposals	<u>(7)</u>
At 31 December 2014	<u><u>-</u></u>
<b>Provisions</b>	
At 1 January 2014	7
Disposals	<u>(7)</u>
At 31 December 2014	<u><u>-</u></u>
<b>Net Book Value</b>	
At 31 December 2014 and at 31 December 2013	<u><u>-</u></u>

**15 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

<b>Company</b>	<b>£000</b>
<b>Shares in subsidiary undertakings</b>	
<b>Cost</b>	
At 1 January 2014	11,319
Additions	<u>16,907</u>
At 31 December 2014	<u><u>28,226</u></u>
<b>Provisions</b>	
At 1 January 2014	7,119
Impairment	<u>14,423</u>
At 31 December 2014	<u><u>21,542</u></u>
<b>Net book value</b>	
At 31 December 2014	<u><u>6,684</u></u>
At 31 December 2013	<u><u>4,200</u></u>

The company made a further investment in Halcrow Consulting Ltd during the year of £16,907,917.

During the year the company assessed the carrying value of its investments and an impairment charge of £14,423,485 has been recognised.

Subsidiary undertakings are listed in note 34 of the financial statements.

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

(continued)

**16 DEBTORS**

<u>Amounts falling due within one year</u>	Group		Company	
	<u>2014</u> £000	<u>2013</u> £000	<u>2014</u> £000	<u>2013</u> £000
Trade debtors	50,932	54,733	-	31
Amounts recoverable on contracts	59,502	52,872	-	-
Amounts owed by related undertakings	11,559	8,838	228	82
Amounts owed by fellow subsidiaries	-	-	30,839	28,305
United Kingdom corporation tax	551	-	-	-
Other debtors	4,323	2,657	591	264
Prepayments and accrued income	4,814	3,910	-	266
	<u>131,681</u>	<u>123,010</u>	<u>31,658</u>	<u>28,948</u>

<u>Amounts falling due after more than one year</u>	Group		Company	
	<u>2014</u> £000	<u>2013</u> £000	<u>2014</u> £000	<u>2013</u> £000
Other debtors	414	-	-	-
United Kingdom corporation tax	744	468	-	-
	<u>1,158</u>	<u>468</u>	<u>-</u>	<u>-</u>
<b>Total Debtors</b>	<u>132,839</u>	<u>123,478</u>	<u>31,658</u>	<u>28,948</u>

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

	Group		Company	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£000	£000	£000	£000
Bank loans and overdrafts	-	277	-	-
Payments on account	23,782	24,586	-	-
Trade creditors	12,397	9,881	-	29
Obligations under finance leases	730	763	-	-
Amounts owed to related undertakings	28,549	23,695	26,269	19,236
Amounts owed to parent undertakings	119,412	107,569	98,629	75,474
United Kingdom corporation tax	1,576	1,426	-	-
Other taxation and social security	8,245	9,392	-	-
Other creditors	5,194	7,357	-	90
Accruals and deferred income	23,546	26,675	475	1,550
	<u>223,431</u>	<u>211,621</u>	<u>125,373</u>	<u>96,379</u>

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

	Group		Company	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£000	£000	£000	£000
Obligations under finance leases	-	730	-	-
Accruals and deferred income	113	38	-	-
	<u>113</u>	<u>768</u>	<u>-</u>	<u>-</u>

**Obligations under finance leases**

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

**Maturity of financial liabilities**

	Group		Company	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£000	£000	£000	£000
Less than one year	730	1,040	-	-
Between two and five years	-	730	-	-
After more than five years	-	-	-	-
	<u>730</u>	<u>1,770</u>	<u>-</u>	<u>-</u>

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**19 PROVISIONS FOR LIABILITIES AND CHARGES**

	At 1 Jan 2014	Charged / (credited) to profit & loss account	Utilised in year	At 31 Dec 2014
	£000	£000	£000	£000
<b>Group</b>				
Property dilapidation	3,503	464	(1,375)	2,592
Onerous leases	-	1,727	-	1,727
Excesses on insured claims	2,518	402	(400)	2,520
	<u>6,021</u>	<u>2,593</u>	<u>(1,775)</u>	<u>6,839</u>
<b>Company</b>				
Property dilapidation	300	-	(24)	276
	<u>300</u>	<u>-</u>	<u>(24)</u>	<u>276</u>

Details of group 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 2015 and 2030.

**Onerous leases**

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

**Excesses on insured claims**

When claims have been made against the group, provision is made for the amount that falls within the excess of the group's professional indemnity insurance policy to the extent that it is considered probable that an obligation will arise. The provision will be utilised over the period of the related claim.

**20 SHARE CAPITAL**  
**Group and company**

	<u>2014</u>	<u>2013</u>
	£000	£000
<b>Allotted and fully paid:</b>		
21,837,979 (2013: 21,837,979) ordinary shares of £1 each	<u>21,838</u>	<u>21,838</u>

No ordinary shares of £1 each were issued during the year.

**21 SHARE PREMIUM ACCOUNT**  
**Group and company**

	<u>2014</u>	<u>2013</u>
	£000	£000
At 31 December 2013 and 31 December 2014	<u>7,150</u>	<u>7,150</u>

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**22 OPTIONS**

Options in respect of no (zero) ordinary shares of £1 each were outstanding at 31 December 2014 (2013: none) under the group's savings-related share option scheme.

There were no options granted during 2014 and the group's share-based payments charge for 2014 is £nil (2013: £nil).

**23 PROFIT AND LOSS ACCOUNT**

	Group	Company
	<u>2014</u> £000	<u>2014</u> £000
At the beginning of the year	(325,375)	(63,720)
Retained loss for the year	(8,518)	(20,880)
Actuarial loss on pension scheme (net of deferred tax)	<u>(59,746)</u>	<u>-</u>
At the end of the year	<u><u>(393,639)</u></u>	<u><u>(84,600)</u></u>

**24 TRANSLATION RESERVE**

	Group	Company
	<u>2014</u> £000	<u>2014</u> £000
At the beginning of the year	4,494	-
Movement on reserve in the year	<u>(1,091)</u>	<u>-</u>
At the end of the year	<u><u>3,403</u></u>	<u><u>-</u></u>

**25 TOTAL SHAREHOLDER'S DEFICIT**

	Group		Company	
	<u>2014</u> £000	<u>2013</u> £000	<u>2014</u> £000	<u>2013</u> £000
At the beginning of the year	(291,893)	(277,625)	(34,732)	(37,845)
(Loss)/Profit for the year after taxation	(8,518)	9,351	(20,880)	3,113
Actuarial loss on pension scheme	(59,746)	(19,506)	-	-
Movement on translation reserve	<u>(1,091)</u>	<u>(4,113)</u>	<u>-</u>	<u>-</u>
At the end of the year	<u><u>(361,248)</u></u>	<u><u>(291,893)</u></u>	<u><u>(55,612)</u></u>	<u><u>(34,732)</u></u>

**HALCROW HOLDINGS LIMITED**  
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**26 NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES**

	<u>2014</u> £000	<u>2013</u> £000
Operating Profit	16,265	27,466
Depreciation of tangible fixed assets	2,598	3,189
Amortisation of goodwill	-	69
Loss on disposal of fixed assets	116	2,067
Restructuring costs	(7,086)	-
(Increase)/decrease in debtors	(3,334)	11,845
Decrease in creditors	(12,933)	(3,673)
Increase/(decrease) in provisions	818	(27,352)
Adjustment for pension funding	<u>(14,713)</u>	<u>(11,822)</u>
	<u>(18,269)</u>	<u>1,789</u>

**27 RECONCILIATION OF CASHFLOW TO MOVEMENT IN NET DEBT**

	<u>2014</u> £000	<u>2013</u> £000
(Decrease) / Increase in cash in the year	(12,778)	14,818
Capital element of finance lease payments	763	706
Repayment / (Increase) of bank overdrafts	277	(270)
Other loans from parent undertaking - Amounts falling due within one year	<u>(11,843)</u>	<u>(17,700)</u>
Movement in net debt resulting from cash flows	(23,581)	(2,446)
Exchange movements	<u>(52)</u>	<u>(754)</u>
	(23,633)	(3,200)
Net debt at the beginning of the year	<u>(77,351)</u>	<u>(74,151)</u>
Net debt at the end of the year	<u>(100,984)</u>	<u>(77,351)</u>

**28 ANALYSIS OF NET DEBT**

	<u>2013</u> £000	<u>Cash Flow</u>	<u>Other Non-Cash</u> <u>Changes</u>	<u>2014</u> £000
Cash at bank and in hand	31,988	(12,778)	(52)	19,158
Bank loans and overdrafts				
amounts falling due within one year	<u>(277)</u>	<u>277</u>	<u>-</u>	<u>-</u>
	31,711	(12,501)	(52)	19,158
Obligations under finance leases				
amounts falling due within one year	(763)	763	(730)	(730)
amounts falling due after more than one year	(730)	-	730	-
Other loans from parent undertaking - Amounts falling due within one year	<u>(107,569)</u>	<u>(11,843)</u>	<u>-</u>	<u>(119,412)</u>
	<u>(77,351)</u>	<u>(23,581)</u>	<u>(52)</u>	<u>(100,984)</u>

**HALCROW HOLDINGS LIMITED**  
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**29 CAPITAL COMMITMENTS**

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Contracted but not provided for in the financial statements	-	-	-	-

**30 CONTINGENT LIABILITIES**

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Performance and advance payment bonds provided by banks	22,574	22,761	-	-
Borrowings of subsidiary undertakings for which guarantees have been given	-	-	-	277
	<u>22,574</u>	<u>22,761</u>	<u>-</u>	<u>277</u>

The company has provided a number of guarantees on behalf of subsidiary undertakings in respect of property leases entered into in the ordinary course of business.

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

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

In 2007, Halcrow International Partnership ("HIP") entered into a contract for design and construction supervision services of a new container terminal in Jeddah, KSA. The client alleged a breach of the duty of care by HIP and is claiming for extra costs to the contractor, future remedial costs and alleged loss of future revenue. The total amount claimed is circa £10 million. HIP has sent a detailed response to the client, robustly defending its position and denying liability as against the major heads of claim. Based on information presently known to management, we intend to vigorously defend the claims brought against us and we believe that the outcome of this dispute will not have a material adverse effect on our financial condition, cashflows or results of operations.

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

**31 LEASE COMMITMENTS**

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

	Group	
	2014	2013
	£000	£000
Land and buildings		
Leases which expire:		
Within one year	568	381
In second to fifth years	3,443	2,229
After more than five years	3,768	5,641
	<u>7,779</u>	<u>8,251</u>
Other		
Leases which expire:		
Within one year	70	103
In second to fifth years	255	353
After more than five years	-	-
	<u>325</u>	<u>456</u>

The company had no operating lease commitments.

**HALCROW HOLDINGS LIMITED**  
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**32 PENSION COMMITMENTS**

The group operates various pension schemes and other long-term benefit plans for eligible employees. The assets of all schemes are held separately from those of the group and are invested by independent investment managers.

In the UK, the main scheme is the Halcrow Pension Scheme which is a defined benefit pension scheme. The Group also sponsors the Pension & Life Assurance Plan of Halcrow Fox & Associates Limited, The MEDA Pension & Death Benefits Scheme, the Prudential Platinum Pension Scheme and contributes to the Halcrow Rail section of the Railways Pension Scheme, all of which are also defined benefit pension arrangements. Contributions are paid to the schemes as agreed with the trustees of those schemes.

In Qatar and the United Arab Emirates the company provides end of service benefit plans that pay out a defined level of benefit based on members the length of a member's service and salary.

All UK defined benefit pension schemes have been closed to new entrants for a number of years. The schemes were closed to future accrual with effect from 31 December 2007, with the exception of the Railways Pension Scheme and those members covered by the TUPE provisions. For those members affected, their defined-benefit pensions will remain linked to their pensionable salary (with certain restrictions) for a period of five years from 1 January 2008. Since this date, such members have had the right to earn current service benefits in the Halcrow Money Purchase Plan (HMPP).

*The end of service plans in Qatar and UAE are still open to new members.*

Over the year to 31 December 2014, contributions by the group of £13.7m were made to the main UK pension scheme (2013: £11.4m). Contributions were last agreed as part of the full actuarial valuation of the main scheme with an effective date of 31 December 2008. Under the current schedule of contributions, contributions of £14.5m would be payable in 2015. Additional contributions dependent on Company performance may also be paid. Total contributions of 29.1% of pensionable salaries are being paid in respect of any members who continue to accrue benefits (payable in aggregate by the members and the employer). Contributions of £0.8m were made to the Halcrow Fox scheme in line with the Group agreement with the Trustees. Contributions of £1.2m were made to the Railways Scheme. Further contributions were made to other smaller arrangements.

The group contributed £6.9m (2013 £5.3m) to the HMPP, which is a defined contribution arrangement.

Calculations based on a full actuarial valuation of the main UK pension scheme as at 31 December 2011 have been updated to the accounting date by an independent qualified actuary in accordance with FRS17. Other UK pension arrangements have been updated in a similar manner. The calculations for the end of service plans for Qatar and UAE have been based on a valuation using full membership data at the census date. As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

The following table sets out the key FRS17 assumptions as at 31 December 2014 used for the schemes. The tables below also set out as at 31 December 2013 and 31 December 2014 the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities.

<b>Assumptions</b>	<b>UK</b>	<b>Qatar</b>	<b>UAE</b>
Price inflation (RPI)	3.15% p.a.	n/a	n/a
Price inflation (CPI)	2.15% p.a.	n/a	n/a
Discount rate	3.6% p.a.	10.3% p.a.	8.2% p.a.
Pension increases (fixed)	5.0% p.a.	n/a	n/a
Pension increases (5% LPI)	2.95% p.a.	n/a	n/a
Salary Growth (on average)*	3.65% p.a.	5.0% p.a.	2.5% p.a.

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**32 PENSION COMMITMENTS (continued)**

The Halcrow Pension scheme, The Halcrow Fox scheme and the Railways scheme

<b>Assumptions</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Price inflation (RPI)	3.15% p.a.	3.5% p.a.	3.0% p.a.	3.1% p.a.
Price inflation (CPI)	2.15% p.a.			
Discount rate	3.6% p.a.	4.4% p.a.	4.5% p.a.	4.9% p.a.
Pension increases (fixed)	5.0% p.a.	5.0% p.a.	5.0% p.a.	5.0% p.a.
Pension increases (5% LPI)	2.95% p.a.	3.15% p.a.	2.85% p.a.	3.0% p.a.
Salary Growth (on average)*	3.65% p.a.	4.0% p.a.	4.0% p.a.	4.1% p.a.

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

On the basis of the assumptions used for life expectancy, a male pensioner in the UK currently aged 65 would be expected to live for a further 22.7 years (2013: 22.7 years). Allowance is made for future improvements in life expectancy, so a pensioner in the UK reaching the age of 65 in 2034 would be expected to live for a further 24.9 years (2013: 24.8 years).

Life expectancy is not a feature of the Qatar and UAE plans as these arrangements pay out lump sums to individuals on leaving service or retirement. The key demographic assumptions for these plans are employee turnover. Qatar is assumed to have on average 20% p.a. and UAE 5% p.a. employee turnover.

**Expected return on assets**

<u>Components</u>	<u>2014</u>	<u>2013</u>
Equities	6.3% p.a.	6.55% p.a.
Corporate bonds	3.6% p.a.	4.4% p.a.
Government bonds	2.1% p.a.	3.0% p.a.
Property	5.45% p.a.	6.6% p.a.
Other	2.55% p.a.	2.8% p.a.
Overall returns expected over the accounting year	4.86% p.a.	4.63% p.a.

The above expected rates of return are used to calculate the expected return figures stated below for the UK schemes. The rates are set to reflect long term expectations of the returns on each asset class held in the schemes at the start of each accounting year. The overall rate is the weighted average of the individual rates. The actual return on scheme assets over 2014 was £47,457,000 (2013: £32,145,000).

The arrangements in Qatar and UAE are unfunded and thus no expected return on asset assumptions are required.

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**32 PENSION COMMITMENTS (continued)**

<u>Components</u>	31 December 2014		
	<u>Fair Value</u> (schemes in deficit)	<u>Fair Value</u> (schemes in surplus)	<u>Total</u>
	£000	£000	£000
Equities	169,720	6,071	175,791
Bonds	277,308	13,169	290,477
Property	8,543	955	9,498
Other	23,343	15	23,358
<u>Balance Sheet</u>			
Total fair value of assets	478,914	20,210	499,124
Present value of liabilities	(774,905)	(18,984)	(793,889)
Deficit in the schemes	(295,991)	1,226	(294,765)
Amount not recognised due to paragraph 37 restriction	-	(869)	(869)
Adjusted (deficit) / surplus in schemes	(295,991)	357	(295,634)
Related deferred tax	-	-	-
Net pension liabilities	(295,991)	357	(295,634)

<u>Components</u>	31 December 2013		
	<u>Fair value</u> (schemes in deficit)	<u>Fair value</u> (schemes in surplus)	<u>Total</u>
	£000	£000	£000
Equities	166,481	5,892	172,373
Bonds	238,467	11,385	249,852
Property	8,158	793	8,951
Other	27,083	14	27,097
<u>Balance Sheet</u>			
Total fair value of assets	440,189	18,084	458,273
Present value of liabilities	(682,479)	(17,617)	(700,096)
Deficit in the schemes	(242,290)	467	(241,823)
Amount not recognised due to paragraph 37 restriction	-	(183)	(183)
Adjusted (deficit) / surplus in schemes	(242,290)	284	(242,006)
Related deferred tax	-	-	-
Net pension liabilities	(242,290)	284	(242,006)

Under FRS17, the schemes are represented on the balance sheet as net pension liabilities of £295,634,000 (2013: £242,006,000).

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**32 PENSION COMMITMENTS (continued)**

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

	<u>2014</u>	<u>2013</u>
	£000	£000
Scheme liabilities at the beginning of the year	(700,096)	(659,331)
Current service cost	(2,003)	(2,471)
Employee contributions	(207)	(207)
Interest on post-retirement liabilities	(30,553)	(29,197)
Actuarial loss	(84,557)	(31,830)
Benefits paid	24,065	22,784
Other adjustments	(538)	156
Scheme liabilities at the end of the year	<u>(793,889)</u>	<u>(700,096)</u>

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

	<u>2014</u>	<u>2013</u>
	£000	£000
Scheme assets at the beginning of the year	458,273	434,568
Expected return on plan assets	22,132	19,836
Employer contributions	17,253	14,137
Employee contributions	207	207
Actuarial gain	25,324	12,309
Benefits paid	(24,065)	(22,784)
Scheme assets at the end of the year	<u>499,124</u>	<u>458,273</u>

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

	<u>2014</u>	<u>2013</u>
	£000	£000
Current service cost	2,003	2,471
Employee contributions	-	-
Total operating charge	<u>2,003</u>	<u>2,471</u>

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

	<u>2014</u>	<u>2013</u>
	£000	£000
Expected return on pension scheme assets	22,132	19,836
Interest on post-retirement liabilities	(30,553)	(29,197)
Adjustment due to paragraph 37	(174)	(198)
Net finance costs	<u>(8,595)</u>	<u>(9,559)</u>

**HALCROW HOLDINGS LIMITED**  
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**32 PENSION COMMITMENTS (continued)**

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

	<u>31 Dec</u> 2014 £000	<u>31 Dec</u> 2013 £000	<u>31 Dec</u> 2012 £000	<u>31 Dec</u> 2011 £000	<u>31 Dec</u> 2010 £000
Total fair value of assets	499,124	458,273	434,568	404,520	393,543
Present value of liabilities	(793,889)	(700,096)	(659,331)	(597,576)	(482,876)
Deficit in the schemes	<u>(294,765)</u>	<u>(241,823)</u>	<u>(224,763)</u>	<u>(193,056)</u>	<u>(89,333)</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actual return less expected return on scheme assets (£000)	25,324	12,309	13,465	(7,663)	20,751
Percentage of scheme assets	5.07%	2.69%	3.10%	(1.89)%	5.27%
Experience gains and (losses) arising on schemes' liabilities (£000)	(1,784)	(316)	(190)	(7,000)	5,626
Percentage of the value of the schemes' liabilities	0.22%	0.05%	0.03%	1.17%	(1.17)%
Actuarial gain/(loss) arising during the period	(59,233)	(19,521)	(38,359)	(105,366)	6,015
Effect of the limit in paragraph 37	(513)	15	-	-	-
Total amount recognised in the STRGL (£000)	(59,746)	(19,506)	(38,359)	(105,366)	6,015
Percentage of the value of the schemes' liabilities	(7.53)%	(2.79)%	(5.82)%	(17.63)%	1.25%

The cumulative actuarial losses recognised in the STRGL since 1 January 2002 are £349,944,000 (2013: a cumulative loss of £290,198,000).

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

	<u>2014</u> £000	<u>2013</u> £000
Funded defined benefit schemes	10,143	12,437
Defined contribution schemes	8,131	6,849
Charge per note 8b	<u>18,274</u>	<u>19,286</u>

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**33 RELATED PARTY TRANSACTIONS**

**Joint ventures**

Earnings of £133,987 were accrued from Halcrow (Shanghai) Engineering Consulting Corporation Limited at 31 December 2014 (2013: £174,868) and from Halcrow Chongquin Engineering of £21,023 (2013: £27,447). All transactions with, and amounts due to or by Aone are incorporated within the financial statements.

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

During the year affiliate turnover was received of £48,120,364 (2013: £36,282,451), direct costs were charged of £16,473,365 (2013: £9,144,542), administrative costs were charged of £6,328,571 (2013: £5,627,381) and interest was charged to the group on loan balances amounting to £5,941,000 (2013: £5,109,000). Net creditor balances due to the parent company and to fellow subsidiary companies at 31 December 2014 were £135,758,000 (2013: £122,463,000).

**34 SUBSIDIARY AND ASSOCIATED UNDERTAKINGS AND JOINT VENTURES**

	Percentage owned	Country of registration	Principal country/ area of operation
<b>Subsidiary undertakings:-</b>			
Asia Halcrow Inc	100%	Philippines	East Asia
Burderop Investments Limited *	100%	England	Great Britain
Crouch Hogg Waterman Limited	100%	Scotland	Great Britain
Halcrow (Consulting Engineers & Architects) Limited	100%	England	Middle East
Halcrow (Thailand) Limited	100%	Thailand	East Asia
Halcrow Asia Limited	100%	England	East Asia
Halcrow Asia Partnership Limited	100%	England	East Asia
Halcrow Bahamas Ltd	100%	Bahamas	North America
Halcrow Bangladesh Limited	100%	Bangladesh	South Asia
Halcrow Canada Inc	100%	Canada	North America
Halcrow Canada Limited	100%	England	Great Britain
Halcrow China Limited	100%	Hong Kong	East Asia
Halcrow Consultants Sdn Bhd	100%	Malaysia	East Asia
Halcrow Consulting (Shenzhen) Co. Limited	100%	China	East Asia
Halcrow Consulting India Private Limited	100%	India	South Asia
Halcrow Consulting Limited *	100%	England	Great Britain
Halcrow Energy Limited	100%	Cyprus	Middle East
Halcrow Environmental Consulting Co. Limited	100%	Thailand	East Asia
Halcrow Gilbert Associates Limited	100%	England	Great Britain
Halcrow Group (Thailand) Limited	100%	Thailand	East Asia
Halcrow Group (Trinidad & Tobago) Limited	100%	Trinidad & Tobago	Trinidad & Tobago
Halcrow Group Ireland Limited	100%	Republic of Ireland	Europe
Halcrow Group Limited	100%	England	Worldwide
Halcrow International Limited	100%	England	Great Britain
Halcrow International Partnership	100%	England	Middle East
Halcrow Jurutera Perunding Sdn Bhd	100%	Malaysia	East Asia
Halcrow Management Sciences Limited	100%	England	Great Britain
Halcrow Middle East Limited	100%	UAE Dubai	Middle East
Halcrow Middle East LLC	100%	Oman	Middle East
Halcrow Pacific Pty Limited	100%	Australia	Australia
Halcrow Panama SA	100%	Panama	Latin America
Halcrow Rail Approvals Limited	100%	England	Great Britain
Halcrow Romania SRL	100%	Romania	Europe
Halcrow Staff and Services Limited *	100%	England	Great Britain
Halcrow Syria LLC	100%	Syria	Middle East
Halcrow Water Services Limited	100%	England	Great Britain
Halcrow Waterman Limited	100%	Scotland	Great Britain
Mechanical and Electrical Design Associates Limited	100%	England	Great Britain
Sir William Halcrow & Partners (Malaysia) Limited	100%	England	East Asia
Sir William Halcrow & Partners Limited	100%	England	Latin America
Transmark Asia Limited	100%	England	East Asia
Yolles Partnership Inc	100%	Canada	North America
Yolles Partnership Limited	100%	England	Great Britain

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

(continued)

**34 SUBSIDIARY AND ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)**

	Percentage owned	Country of registration	Principal country/ area of operation
<b>Associated undertakings:-</b>			
CH2M HILL do Brasil Engenharia Ltda	4%	Brazil	Latin America
<b>Joint ventures:-</b>			
Aberdeen Western Peripheral Route	50%	Scotland	Great Britain
Aone	34%	England	Great Britain
Bond Street	60%	England	Great Britain
Broadland Environmental Services Limited	10%	England	Great Britain
Consortia Halcrow Sinergia Setepla	29%	Brazil	Latin America
Energhia Consortium	29%	France	Europe
Halcrow (Chongqing) Engineering Consulting Co Ltd	49%	China	East Asia
Halcrow (Shanghai) Engineering Company Limited	50%	China	East Asia
Halcrow Barry Limited	50%	Republic of Ireland	Europe
Halcrow Doran	50%	Northern Ireland	Great Britain
Halcrow Fairhurst	50%	England	Great Britain
Halcrow Hyder	50%	England	Great Britain
Halcrow Tata	50%	England	Great Britain
Parsons Halcrow	42%	UAE Dubai	Middle East
Semper Consultants Inc	40%	Philippines	East Asia

All holdings are of ordinary shares.

\* indicates that the shares are not held by an intermediate holding company.

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.

**35 DISSOLUTION OF SUBSIDIARY**

During the year Halcrow Consulting Services Pty Ltd was dissolved, with the business being merged with that of Halcrow Pacific Pty Ltd. The dissolution had no impact on the financial statements of the group.

**36 POST BALANCE SHEET EVENT**

The group's freehold property at Burderop Park, Swindon, Wiltshire, was disposed of subsequent to the year end for a consideration of £4,700,000, an amount in excess of its carrying value.

**37 ULTIMATE PARENT UNDERTAKING**

Following the acquisition of Halcrow on 10 November 2011 by CH2M HILL Companies, Ltd ("CH2M HILL"), CH2M HILL became the ultimate parent undertaking and the results of the Company have been consolidated by CH2M HILL since acquisition. Copies of its financial statements are available on the Group's website [www.ch2m.com](http://www.ch2m.com)