



Halcrow Holdings Limited Annual report and accounts 2010

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Group board

Tony Pryor CBE

Non-executive chairman

BA, FICE, PEng, MInstRE

Peter Gammie

Chief executive

BA, FCA

Alan Saffer

Group finance director

BA, FCA, CPA

Yaver Abidi

Group board director

BSc(Hons), MSc, DIC,
MS, PEng

Les Buck

Group board director

BSc, CEng, FICE, FIHT,
PE

Alasdair Coates

Group board director

BEng(Hons), MSc, CEng,
FICE, CMIOSH, MCIHT

Michael Della Rocca

Group board director

PE, BS, MEng, MBA

Neil Holt

Group board director

FCIB

David Kerr

Group board director

BSc, CEng, FICE, MIHT

John Theakston

Non-executive director

MA, MSc

Ken Mair

Company secretary

FCIS, ACII

Business summary

‘Halcrow has been through a challenging time over the last year as the effects of the global recession continued to bite into our turnover and profit. In 2010, turnover declined from £507 million the previous year to £465 million with a profit before taxation of £8.8 million, a drop of £7.5 million. Behind this year’s figures lies a complex story of strongly differing performances in different markets around the world. Despite difficult global circumstances, we won new work at a respectable rate throughout the year, enabling us to go into 2011 with a strong backlog of work in progress. Our new, slimmed-down corporate structure has removed significant costs from the business and made us more agile and responsive to clients. The new structure has the potential to lift Halcrow to the next level of performance.’

Chairman's statement

The year 2010 proved to be a testing one for the company. In some respects the lingering impact of the abrupt economic contraction late in 2008 only became fully apparent in 2010, when a number of works in progress drew to a close and were not replaced by an equivalent number of new commissions. This was reflected in a drop in turnover from £507 million to £465 million.

Despite these challenging circumstances, 2010 was a year of transformation for Halcrow. In order to weather the economic storm we needed to be resourceful and to make some tough decisions about the future shape of the company that will assure its long-term profitability.

With profit margins under pressure, we had no choice but to make a number of redundancies in the early part of the year, particularly in our more established regions, where the economic retrenchment has been felt most strongly. These redundancies were difficult for all of us in Halcrow as we said goodbye to a number of valued and respected employees.

In the second half of 2010, we began work on a far-reaching programme of change which will equip the company for future challenges. The Delta Programme, which is being rolled out through 2011, aims to transform Halcrow into a leaner, more client-focused organisation.

Summer 2010 also saw Halcrow move to its new global headquarters in London. Elms House is an impressive statement of our confidence in the future. Like The Delta Programme, the new HQ sends a clear signal that Halcrow is not content just to batten down the hatches and weather out the economic storm. Instead we are using these challenging times as an

opportunity to take stock, to assess our strengths and weaknesses and to emerge stronger.

Although the recession has affected our performance more than we would like, as it has our competitors, we continue to see opportunities to further develop the business. We have been particularly heartened by our emerging markets, especially in Asia, Latin America and Australia. Our rail sector has seen a strong performance, particularly in China, Brazil and North America, where we achieved a number of prestigious wins.

In 2010, among many other important contracts, a Halcrow-led consortium, Energhia, was appointed to work on the International Thermonuclear Experimental Reactor (ITER) programme for fusion energy in France. In the UK, we were also awarded the National Grid tunnelling contract as designer to Costain and appointed to act as civil engineer at Gatwick Airport. These projects help to exemplify our corporate purpose of sustaining and improving the quality of people's lives.

Despite the difficult environment, our major projects programme made steady progress in 2010 and continues to be a cornerstone of *Strategy 2018*. There are clear opportunities in this field and we need to ensure that we take full advantage of them.

In 2010, our profit margins remained under considerable pressure, with significant effort required in managing our costs and cash flow. Our profit was put under further pressure by a major project issue in the Middle East, where significant variations in client requirements had to be agreed, and by our ongoing responsibility for leasing the Shortlands building in Hammersmith. These contributed to

the decision to change the internal share market to a matched bargain basis. We also took the prudent decision to provide against project and related exposures in limited parts of the Middle East given concern as to recoverability.

Among other targets, Halcrow remains committed to becoming a truly sustainable company and one that is committed to diversity and the welfare of its employees. In 2010, a steady stream of awards provided welcome acknowledgment of our performance in diversity, health and safety and project excellence.

Competitive pressures and market conditions look set to remain challenging over the next year. Uncertainty over the long-term economic outlook and public debt will continue to have a constraining impact on large scale infrastructure works in developed markets.

I believe that Halcrow's position as a leading innovator in infrastructure technology combined with strong demand in our developing markets means that we are well placed to profit from an upturn in the markets.

The year saw the retirement of Neil Holt from the group board and 2011 will see the retirement of Les Buck. I would like to express my appreciation for their long service and unstinting support. We also welcomed Alasdair Coates, Yaver Abidi and Michael Della Rocca as new members of the group board during 2010. I would like to take this opportunity to join with my board colleagues to express our appreciation of the commitment and effort of all our employees who continue to work so hard to ensure that the company succeeds in this challenging business climate.

Tony Pryor CBE

Chief executive's report

Halcrow has been through a challenging time over the last year as the effects of the global recession have continued to bite into our turnover and profit. Turnover declined in 2010 from £507 million to £465 million with profit before taxation of £8.8 million, a decline of £7.5 million.

Behind this year's financial figures lies a complex story of strongly differing performances in different markets around the world. Difficult conditions in our established core regions, for instance, were offset by excellent growth in emerging markets such as Latin America and Australasia, which were our primary investment focus in 2010. Broadly speaking, our best performances were returned in regions and countries where we operate on a smaller basis.

In the UK, which accounts for almost half of our business, a number of long-awaited projects from central government or public sector agencies were cancelled or put on hold in anticipation of the UK government's comprehensive spending review.

Our operations in the Middle East also continued to endure a particularly tough climate in 2010 with turnover falling as the region continued to be affected by macro-economic uncertainty. Profit was significantly affected by our decision to provide for project and related exposures in limited parts of the Middle East region.

In those countries in the Middle East currently undergoing significant political turmoil and the breakdown of law and order, our priority remains the safety of our employees. We have

withdrawn foreign nationals from these countries, as well as monitoring the well-being of national employees.

Despite these difficult global circumstances, we won new work at a respectable rate during the year. This enabled us to go into 2011 with a strong backlog of work in progress.

Throughout 2010 we maintained a close focus on cash collection but with varying results. Good cash flow is always essential for our welfare and especially so in a harsh economic climate. In 2011, we will be making a renewed drive to improve our cash flow and our levels of project capital.

In 2010, turnover in the transportation business group decreased from £213 million to £209 million. Overall, though, it was a profitable year and we maintained our market positions in a very difficult trading climate. Globally, conditions continued to be challenging as major infrastructure opportunities were postponed or cancelled. In the UK, volumes held up well with valuable contract extensions to our A-One+ joint venture.

Our water and power business had a year of mixed fortunes. A 20 per cent fall in turnover in the UK contributed to an overall fall in turnover from £105 million to £94 million, although international turnover rose from £40 million to £41 million, an increase of 3 per cent. During the year, we continued to deliver some of the world's leading projects, including the design of the Tigre Water Supply in Argentina and programme management of the Thames Tideway Tunnels in the UK. In 2010, we won a number of important new contracts in the AMP5 programme (2010 to

2015) with a number of UK water utilities. We have also maintained our number one position in the UK flood and coastal erosion risk management market for the tenth consecutive year.

Halcrow's maritime business experienced a difficult year with turnover dropping to £56 million from £66 million. The brunt of the downturn was borne by our Middle East and North America operations, although several large port projects in the Middle East did give a welcome addition to business. In a major boost to our profile in developing markets, Halcrow was named as preferred bidder for four prestigious projects in India, Pakistan, Brazil and Myanmar worth a total of £15 million.

The property market continued to be challenging and turnover declined from £61 million to £53 million. Established markets, especially in the USA and Europe, continued to be seriously challenged with little sign of a recovery in private sector construction. However, publicly funded works in progress in the UK, such as the Olympics and Crossrail, will continue to provide a significant stream of short-term work.

Our consulting business group turnover declined by 13 per cent to £53 million from £61 million as the UK market deteriorated. Outside the UK, though, workloads grew strongly particularly in India, South Asia and the Middle East. Latin America was especially buoyant with a number of major project wins in Brazil. Globally, the public private partnership market in business consultancy showed signs of recovery after a difficult two years and we continued to innovate new business lines.

Our turnover in the UK and Ireland, representing nearly half of our group total, declined in 2010 from £231 million to £212 million.

The year was characterised not only by a smaller number of opportunities but also by extremely tight bidding from our competitors with the inevitable implications for profit margins. These difficult conditions meant that overheads were under constant scrutiny. This resulted in several office closures and consolidations and the regrettable loss of a number of employees as we tried to reduce our costs.

If Halcrow is to continue to succeed, it is imperative we become more agile and responsive to the needs of our existing and potential clients. The Delta Programme, which was developed in 2010 and launched in April 2011, seeks to achieve these goals through a slimmed-down corporate model which puts our clients first.

In 2011, we have set ourselves an improved profit target. Our restructuring programme removed significant costs from the business, as well as making us a more agile organisation that is closer to our clients and markets. Although the year will continue to be difficult in some of our markets, particularly the UK public sector, there are many opportunities, as highlighted in the regional review that follows.

I would like to thank everyone in Halcrow who has been involved in the successful launch of Delta. For many employees, the creation of the new structure involved a period of uncertainty, but I believe that this ongoing programme of transformation has the potential to lift Halcrow to the next level of performance.

UK and Ireland – Our turnover in the UK and Ireland, representing nearly half of our group total, declined in 2010 from £231 million to £212 million. This reflects the continuing effects of the economic downturn and an apprehensive investment climate in the face of actual and expected cutbacks in public spending. The impact on our workload meant we regrettably had to reduce our headcount and rationalise our UK office network.

Despite this tough climate, and very competitive market conditions, we achieved a number of significant projects wins, especially in the important emerging markets of renewable energy such as the Kildrummy Windfarm for npower. We also continued to make our mark on the water industry with a series of important new contracts, including the Hull flood risk mitigation investment plan and two strategic water framework wins. Both frameworks run for four years with the potential to extend.

As part of our desire to identify potential major project pursuits we have focused on nuclear new build, the Severn Barrage and marine renewables. We are actively pursuing the £25 billion Severn Barrage project, which would hold the prospect of significant renewable energy and sustainability work for Halcrow.

Work continued apace on a number of key projects throughout 2010. We were awarded further work on the construction of the London 2012 Olympic Games and Crossrail. Our A-one+ joint venture arrangement

with Costain and Colas secured a successful rebid, and continues to be the leading highway management consultant on motorways and trunk roads in the UK.

In autumn 2010, the UK government's much anticipated spending review analysis was published. It committed the government to preserving a number of major transport investment schemes which were believed to be at risk and to moving towards a low-carbon economy.

With a tight squeeze on local government spending, combined with a fragile private sector recovery, market conditions look set to remain challenging in 2011. We will be working imaginatively with existing and potential clients to demonstrate how we can best help them to deliver their projects and service needs on reduced budgets. We believe this is a positive example of our commitment to client care.

South Asia – Demand in the region remained strong throughout 2010 as India continued to seek to modernise its infrastructure to meet the demands of an economy expanding at 9 per cent per annum.

Turnover in the region was in line with last year at £8 million and benefited from a strong performance in the hydropower market.

During the year, we opened new offices in Hyderabad and in Gurgaon (adjacent to Delhi). Our office in Hyderabad is delivering services to other regions of Halcrow for the transportation and geospatial sectors,

Our turnover in East Asia rose dramatically in 2010 to £26 million from £18 million, an increase of 44 per cent. The increase in business was driven by the strong demand for new infrastructure across the region.

as well as delivering projects for the South Asia region itself. We are developing global delivery services to other regions for the property sector from our Mumbai office and for the water sector from our Delhi office.

Amongst our significant wins in 2010 were a major redevelopment project in the central area of Mumbai for the Saifee Burhani Upliftment Trust and the detailed design of the Western Freeway on behalf of Reliance Energy. Throughout the year we continued to receive positive feedback from our clients. We are also experiencing a good level of repeat business.

During 2010, we undertook a joint strategic review with the major Indian contractor, HCC. In the first quarter of 2011, we were due to start work together on developing new ways of delivering infrastructure to the India marketplace.

In order to meet the growing needs of our business in the region, and to meet our global delivery to other Halcrow regions, we are planning to take on additional office space in Mumbai, Hyderabad and Delhi. By 2018, we anticipate that our employee numbers will have reached approximately 2,000.

East Asia - Our turnover in East Asia rose dramatically in 2010 to £26 million from £18 million, an increase of 44 per cent. The increase in business was driven by the strong demand for new infrastructure across the region.

Our Hong Kong office experienced a successful year in 2010 with earnings rising from £7 million to £11 million, an increase of 57 per cent over the previous year. This was largely

achieved through a major detailed design win for drill and blast tunnelling on behalf of the Mass Transit Railway Corporation for the new Shatin to Central Rail Link. This prestigious contract led to a number of design commissions for contractors bidding for other tunnelling projects.

In China, a number of project wins helped to maintain our earnings at £3 million. Key wins included the 44km-long Hong Kong-Zhuhai-Macau bridge, the longest sea bridge crossing in the world, and a joint project to supervise the Chengdu and Chongqing high-speed rail link.

Transport planning enjoyed strong market growth in Malaysia, Indonesia and the Philippines in particular. Notable project wins included the public transport masterplan for the Greater Kuala Lumpur area and developing port and rail transport proposals for Indonesia's economic corridors development programme.

In the Philippines, our successful relationship with Manila Water, our key regional client, led to a number of significant new contracts. These included the detailed design of the 19km 3m diameter Marikina City sewer network and the detailed design review of the new 8km 3.3m diameter aqueduct from La Mesa Reservoir.

Market conditions in Thailand were stagnant, due to a combination of local circumstances. The maritime sector performed best in terms of earnings and client satisfaction, winning various new works for the Mapthaput Bulk Material Handling project. Delayed projects in the construction, rail infrastructure and property sectors now look set to

move ahead, which bodes well for 2011. We are anticipating continuing work with one of the country's largest developers and contractors.

In South Korea, our inputs on two long-running sea crossings, Incheon Bridge and the Busan Geogje fixed link, came to an end. Now that the government has stopped spending on new infrastructure, Korean contractors are looking further afield. Our close links with domestic contractors resulted in two wins in the Middle East, and we expect to continue assisting these major contractors internationally.

Europe - Turnover in Europe, excluding the UK and Ireland, increased by 10 per cent to £17 million compared to £15 million a year previously.

Poland continued to be a driving force behind the region's growth with Halcrow winning many key projects to help update the country's infrastructure. Key projects include the design and build of the S8 expressway between Bailystok and Jewezo and the Bydgoszcz airport rail link. The bridges team also won a number of important contracts, including a 1.026km-long structure across the Vistula connecting Kamien and Solec City.

Work also continued on two key projects: the feasibility study for the prestigious E65 South Railway and flood defences for the city of Wroclaw. In order to meet demand for its services, Halcrow now operates from three permanent offices and in 2010 doubled the size of its Warsaw office space.

Turnover in Europe, excluding the UK and Ireland, increased by 10 per cent to £17 million compared to £15 million a year previously.

A number of new wins in Romania included a contract for oil giant Petrocom and a significant contract for a highways project between the towns of Sighisoara, Fagaras and Huedin.

The Energhia consortium, in France, which is led by Halcrow, signed a £13.5 million, six-year contract to manage various elements of the International Thermonuclear Experimental Reactor (ITER) nuclear fusion project.

In the Netherlands, the transportation business group has been building a close relationship with Rijkswaterstaat – the Dutch government’s roads and water authority – and the consultancy DHV. This aims to provide high-level advice to help introduce performance-based contracts, similar to the successful MAC contracts with the UK Highways Agency.

North America - Challenging conditions saw turnover in 2010 decline by 12 per cent to £43 million compared with £50 million the previous year, which was in line with the US industry average. Net earnings fell short of target by almost 10 per cent as two major contracts for a new tunnel in New York City and a new port in Jacksonville, Florida, were cancelled after notice of award to Halcrow.

Despite a tough market, our property business group turned in a good performance. Results benefited from a number of significant global assignments and growth in our restoration and condition assessment practices.

High-profile projects continued to be won by our maritime group in a very competitive market. A significant project for Royal Dutch Vopak will see our Houston-based project team providing detailed design and construction support for a new terminal at Deer Park, Texas.

Our public private-partnership experience proved invaluable with the award of two high-profile projects: the £958 million replacement of the Goethals Bridge for the Port Authority of New York and New Jersey and the Denver Eagle commuter rail system expansion in Colorado.

We also continued to build our profile in the US utilities market. Our newly opened office in Denver, Colorado, puts us in an excellent position to offer our expertise in power, water and transportation to the many clients in this region. In Florida, we were awarded numerous contracts to support water management authorities with supply, distribution and water quality programmes.

Our transportation team was selected to be the lead designer on the important interstate highways project in Trinidad. The four-year project entails the development of the first segment of a new national highways network, and is a milestone in Trinidad’s vision for a modernised mobility system.

Middle East - Turnover fell significantly from £148 million to £114 million, a decline of 23 per cent, as the region continued to be affected by macro-economic uncertainty and much reduced government spending,

especially in Dubai and Sharjah. Although liquidity continued to be a major issue for many of our clients we succeeded in settling some outstanding debts. As levels of new work won continued to decline, there was a necessary fall in employee numbers across the region.

In Abu Dhabi, the mainstay of our work came from projects for the Department of Transport framework contracts in the power and water sectors and a number of industrial contacts. Qatar also proved to be resilient with work continuing on a number of key infrastructure projects.

Our efforts to broaden our geographic base continued to yield results. In Kuwait, we secured work on Shuwaikh container terminal and two new urban planning projects with Kuwaiti partners. We also won an important appointment to undertake urban planning for five industrial cities for MODON in Saudi Arabia.

Work on projects in Libya and Syria has been temporarily disrupted as a result of the changing regional security situation. We are committed to resuming delivery to our clients once it is safe to do so.

Australasia - Our business in Australasia continued to develop, driven by the demand for infrastructure projects from government and private investors. Turnover rose from £21 million to £26 million, an increase of 26 per cent.

Our business in Australasia continued to develop, driven by the demand for infrastructure projects from government and private investors. Turnover rose from £21 million to £26 million, an increase of 26 per cent.

However, in 2010 there was a drag on profitability from the previous financial year. This was partly due to investing in the business for expected future growth and expansion and partly to lower-than-expected performance in transport planning and consulting services. The performance of these business skills in Australia will continue to be reviewed over the course of 2011.

The Australian economy is seen as a two-speed economy, with the mining and resources sector experiencing a boom, while the remainder of the economy is performing at modest-to-flat growth. The boom in commodities, especially mined materials, has delivered a number of important wins for our water division with the leading mining companies Santos and Rio Tinto. Our appointment as a principal water consultant to Santos in the eastern states has placed us firmly on the coal seam gas (CSG) market in Queensland. The focus of our services to both these companies is water demand management.

Our new office in Perth will help us to bid for major projects in Western Australia. It will allow us to further target the mining and resources market, specifically drawing on the skills and expertise of our roads and newly established ports specialists.

We were also involved in a number of key public transport contracts. These included a major public private partnership for the procurement of new trains for Sydney's commuter

network, with a multi-million pound variation order to enable work to go through to 2012/13. In Adelaide, work commenced on the electrification of the passenger suburban rail network and we are playing a leading role in procuring a fleet of Chinese-built locomotives for the Australian freight market.

Latin America - The market for infrastructure in Latin America continued to be exceptionally buoyant in 2010 with turnover rising by 43 per cent to £16 million from £11 million. Market turnover has almost doubled since 2009. With the region having emerged almost unscathed from the economic downturn, and a continuing high demand for commodities, we are confident we will see further strong growth in 2011.

Brazil continues to be the largest and fastest growing market in Latin America with many major projects ongoing. In Rio de Janeiro, we are engaged in the next stage of Brazil's high-speed-rail link, the expansion of the metro system to cope with the needs of the World Cup and the Olympics. We are also involved in one of the biggest industrial water reuse projects in the country.

Demand for our water and power expertise continued to be strong throughout the region. In Buenos Aires, two key projects continued to move ahead: the water supply complex at Tigre and the Berazetegui wastewater treatment plant, which will have a treatment capacity of 22 cubic

metres per second and is the biggest waste water project in which we have been involved.

Work also continued on Panama City's main sewer tunnel scheme and on the design and implementation of the highway to Colon, as well as work in the maritime sector and different projects to help improve the transportation network in Panama City.

Our transport planning group continued to grow throughout the year. The expanded team has been winning highways work in Argentina, Brazil, Colombia, Peru, Chile and Panama. It has now emerged as one of the region's main providers of transport planning advice for governments and the private sector, with key projects such as the recently commenced transport study for Metropolitan Rio de Janeiro.

We expect to see strong progress in all our sectors during 2011 as countries in the region continue to invest in infrastructure to meet the needs of strong domestic demand and rising exports.

Peter Gammie

Directors' report

The directors present their report on the affairs of the group, together with the audited financial statements for the year ended 31 December 2010.

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 Group results

The group made a profit on ordinary activities after taxation of £7,082,000 (2009: £12,243,000).

3 Going concern

The directors have acknowledged the latest guidance on going concern issued by the Financial Reporting Council. Whilst the current volatility in financial markets has created general uncertainty, the group has sufficient financial resources and headroom against its available facilities. As a consequence, the directors believe that the group is adequately placed to manage its business risks despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

4 Dividend

The directors recommend a final dividend payment of 4.0p (2009:10.0p) per ordinary share payable to those members on the register at the close of business on 24 May 2011. This, together with the interim dividend paid in January 2011 of 8.0p (2009:10.0p) per ordinary share, gives a total dividend for the year of 12.0p compared with 20.0p for the year ended 31 December 2009.

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 30 September 2011. The Halcrow Trust has waived its entitlement to both this dividend and to the dividend on its holding of preference shares in 2010 and 2009.

5 Business review and future developments

The review of the business is included in the chairman's statement on page 3 and in the chief executive's report on pages 4 to 8. Net assets, excluding pension liabilities, have risen from £77.7 million in 2009 to £81.6 million.

The principal risks and uncertainties facing the business include foreign exchange risk and risk resulting from the diverse geographical spread of the business. The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

The group's credit risk is primarily attributable to its 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.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

6 Share capital

The ordinary share capital of the company at 31 December 2010 was held beneficially as follows:

The Halcrow Trust:	14,688,789 ordinary shares (71.32%)
Directors and staff:	5,905,859 ordinary shares (28.68%)

The ordinary share capital at 30 April 2011 was held beneficially as follows:

The Halcrow Trust:	14,914,554 ordinary shares (72.15%)
Directors and staff:	5,757,154 ordinary shares (27.85%)

The 10,000 preference shares of £1 each were held beneficially by The Halcrow Trust at each of 31 December 2009, 31 December 2010 and 30 April 2011.

7 Directors

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

A F Pryor CBE, chairman		
P G Gammie, chief executive		
A Saffer		
Y A Abidi	appointed	26.03.2010
L G Buck		
A J F Coates	appointed	26.03.2010
M Della Rocca	appointed	26.03.2010
N Holt	resigned	30.07.2010
D J Kerr		
J A Theakston		

8 Directors' interests in shares of the company

The interests of persons who were directors at 31 December 2010 in the shares of the company were as follows:

Ordinary Shares of £1	30 April 2011 Number	31 December 2010 Number	31 December 2009 Number
A F Pryor CBE	-	-	-
P G Gammie	131,449	131,204	130,702
A Saffer	54,371	54,342	53,895
Y A Abidi	20,561	20,561	-
L G Buck	76,394	76,149	74,008
A J F Coates	5,363	5,208	-
M Della Rocca	9,302	9,122	-
D J Kerr	26,719	26,719	24,157
J A Theakston	10,500	10,500	10,500

(Includes shares issued to Capita SIP Trustees Limited under the Halcrow share incentive plan, held on trust for the individual concerned)

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

Share options Ordinary Shares of £1	30 April 2011 Number	31 December 2010 Number	31 December 2009 Number
A F Pryor CBE	-	-	-
P G Gammie	80,604	80,604	92,322
A Saffer	95,490	95,490	107,208
Y A Abidi	27,890	27,890	11,761
L G Buck	64,559	64,559	66,198
A J F Coates	36,512	36,512	19,143
M Della Rocca	33,902	33,902	-
D J Kerr	53,065	53,065	64,783
J A Theakston	-	-	-

Share options may be exercised as follows:

	Number	Option price	Dates when exercisable
A F Pryor	-	-	-
P G Gammie	5,317 75,287	315p 261p	1 Dec 2013 to 31 May 2014 23 Aug 2010 to 23 Aug 2017
A Saffer	61,302 31,141 3,047	261p 289p 315p	23 Aug 2010 to 23 Aug 2017 15 Jan 2011 to 15 Jan 2018 1 Dec 2011 to 31 May 2012
Y A Abidi	8,571 16,129 3,190	350p 403p 315p	9 Feb 2012 to 9 Feb 2019 29 Apr 2013 to 29 Apr 2020 1 Dec 2013 to 31 May 2014
L G Buck	11,494 53,065	261p 261p	12 Sep 2010 to 12 Sep 2017 23 Aug 2010 to 23 Aug 2017
A J F Coates	11,718 17,369 4,129 3,296	256p 403p 195p 315p	13 Mar 2010 to 13 Mar 2017 29 Apr 2013 to 29 Apr 2020 1 Dec 2010 to 31 May 2011 1 Dec 2013 to 31 May 2014
M Della Rocca	33,902	403p	2 Jun 2013 to 2 Jun 2020
D J Kerr	53,065	261p	23 Aug 2010 to 23 Aug 2017
J A Theakston	-	-	-

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

L G Buck and J A Theakston as trustees, and P G Gammie by virtue of his directorship of Halcrow Staff and Services, which is a corporate trustee to The Halcrow Trust, have non-beneficial interests in the share capital of the company as follows:

	30 April 2011 Number	31 December 2010 Number	31 December 2009 Number
Ordinary shares of £1	14,914,554	14,688,789	13,589,064
Preference shares of £1	10,000	10,000	10,000

Each of the directors also has an interest as a potential beneficiary 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 Elms House, 43 Brook Green, London W6 7EF on 30 September 2011, is contained in a circular sent to the shareholders with this report.

11 Charitable contributions

During the year the group made charitable contributions of £100,000 (2009: £170,000), mainly to the Halcrow Foundation.

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

The group believes that employee share ownership is an important factor in 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, a share incentive plan and a dividend re-investment plan under which employees may save and acquire shares in the company.

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 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.

14 Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the board and signed on its behalf by:



K Mair

Secretary

27 June 2011

Registered Office:

Elms House

43 Brook Green

London W6 7EF

Registered Number:

01674044

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 profit or loss of the group 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 2010 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2010 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in 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.



Jason Davies (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountant and Statutory Auditor
Reading, United Kingdom
27 June 2011

Consolidated profit and loss account for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover: group and share of joint ventures		468,193	508,055
Less share of joint ventures' turnover		(2,712)	(1,489)
Group turnover	3	465,481	506,566
Cost of sales		(297,766)	(298,070)
Gross profit		167,715	208,496
Administrative expenses		(154,779)	(187,385)
Operating profit before redundancy and other related costs and before working capital provision		20,851	28,182
Exceptional redundancy and other related costs		(3,919)	(7,071)
Exceptional working capital provision		(3,996)	-
Operating profit	4	12,936	21,111
Share of profit of joint ventures		192	106
Interest receivable and similar income	5	46	334
Interest payable and similar charges	6	(4,358)	(5,206)
Profit on ordinary activities before taxation		8,816	16,345
Tax on profit on ordinary activities	9	(1,734)	(4,102)
Profit for the year after taxation		7,082	12,243

All results are derived from continuing operations.

Consolidated balance sheet at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed Assets			
Intangible assets			
Goodwill	11	19,810	19,963
Tangible assets	12	22,113	18,946
Investments in joint ventures			
Share of gross assets		868	818
Share of gross liabilities		(325)	(347)
	13	543	471
Trade investments	14	7	7
		42,473	39,387
Current assets			
Debtors	16	169,401	166,529
Cash at bank in hand		8,816	13,688
		178,217	180,217
Creditors - amounts falling due within one year (including convertible debentures)	17	(124,236)	(129,851)
Net current assets		53,981	50,366
Total assets less current liabilities		96,454	89,753
Creditors - amounts falling due after more than one year	18	(2,722)	(503)
Provisions for liabilities and charges	19	(12,113)	(11,509)
Net assets (excluding pension liability)		81,619	77,741
Net pension liability	33	(65,213)	(72,816)
Net assets (including pension liability)		16,406	4,925
Capital and reserves			
Called up share capital	20	20,605	20,156
Share premium account	21	4,821	4,097
Profit and loss account	23	(18,513)	(27,746)
Translation reserve	24	9,493	8,418
Total shareholders' funds	25	16,406	4,925

The financial statements for Halcrow Holdings Limited, registered number 01674044, were approved by the board of directors and authorised for issue on 27 June 2011. They were signed on its behalf by:



P G Gammie **A Saffer**
 Director Director

Company balance sheet at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Investments in subsidiary undertakings	15	10,200	10,200
Current assets			
Debtors	16	31,647	23,700
Cash		-	200
		31,647	23,900
Creditors - amounts falling due within one year (including convertible debentures)			
	17	(7,292)	(18)
Net current assets			
		24,382	23,882
Total assets less current liabilities			
		34,582	34,082
Provision for liabilities and charges			
	19	(6,301)	(6,719)
Net assets			
		28,281	27,363
Capital and reserves			
Called up share capital	20	20,605	20,156
Share premium account	21	4,821	4,097
Profit and loss account	23	2,855	3,110
Total shareholders' funds			
	25	28,281	27,363

The financial statements for Halcrow Holdings Limited, registered number 01674044, were approved by the board of directors and authorised for issue on 27 June 2011. They were signed on its behalf by:



P G Gammie
Director

A Saffer
Director

Consolidated cash flow statement for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Net cash (outflow)/inflow from operating activities	26	(14,162)	21,883
Returns on investment and servicing of finance			
Interest received		46	334
Interest paid		(1,951)	(1,855)
Interest element of finance lease payments		(25)	(84)
Net cash outflow from returns on investment and servicing of finance		(1,930)	(1,605)
Taxation			
United Kingdom corporation tax paid		(1,009)	(2,600)
Overseas tax paid		(913)	(3,579)
Total cash outflow from taxation		(1,922)	(6,179)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(9,898)	(4,476)
Net cash outflow for capital expenditure and financial investment		(9,898)	(4,476)
Acquisitions and disposals			
Deferred consideration paid - Halcrow Consulting Inc		-	(98)
Deferred consideration paid - Halcrow Consulting Services Pty Ltd		(336)	(805)
Net cash outflow for acquisitions and disposals		(336)	(903)
Dividends paid		(1,334)	(1,950)
Cash (outflow)/inflow before financing		(29,582)	6,770
Financing			
Net capital element of finance lease drawdowns/(payments)		2,596	(94)
Repayment of bank loan		-	(5,861)
Issue of ordinary share capital		1,173	1,264
Repayment of debentures		(18)	(11)
Net cash outflow from financing		3,751	(4,702)
(Decrease)/Increase in cash in the year	27, 28	(25,831)	2,068

Consolidated statement of total recognised gains and losses at 31 December 2010

	Notes	2010 £000	2009 £000
Profit after taxation		7,082	12,243
Actuarial gain/(loss) relating to the pension scheme	33	6,015	(28,555)
Movement on related deferred tax		(2,635)	7,995
Movement on translation reserve		1,075	(4,940)
Share based payments charge		(105)	(114)
Total gains (and losses) recognised since last annual report and financial statements		11,432	(13,371)

Notes to the financial statements for the year ended 31 December 2010

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) **Going concern**

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman's and chief executive's statements.

On 17 December 2009, the group entered into a binding agreement with a consortium of banks to provide committed lines of credit, sufficient to meet the needs of the business. The 3 year commitment period, inter alia, is subject to satisfying certain covenant conditions. The Facilities agreement includes a £50 million multi-currency revolving credit facility together with bonding and other credit lines.

The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products; (b) the exchange rate between sterling and principally the US dollar and US dollar-pegged currencies and the euro; and (c) a slowdown in payment patterns from recent experience with a consequent impact on working capital.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(c) **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.

1 Principal accounting policies (continued)

d) **Turnover and recognition of profit**

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

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

(e) **Amounts recoverable on contracts**

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

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

Cost comprises:

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

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

(f) **Goodwill**

Goodwill represents the difference between the cost of acquisition and the fair value of identifiable net assets acquired. Goodwill arising on acquisitions is capitalised in accordance with FRS 10 "Goodwill and Intangible Assets". Where these assets are regarded as having limited useful lives, they are amortised on a straight line basis over these lives, which range from 5 to 20 years. No goodwill balance has previously been eliminated against reserves in the year of acquisition.

Goodwill which is held in foreign currencies is retranslated to the closing exchange rate.

Impairment provisions are determined by comparing the carrying value of the asset with its recoverable amount, being the value in use of expected future cashflows.

(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.

1 Principal accounting policies (continued)

(h) Depreciation of tangible fixed assets (continued)

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	1%
Motor vehicles	25%
Furniture and equipment:	
Computers	25%-33%
Others	20%

(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 rate 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 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.

1 Principal accounting policies (continued)

(m) Pensions (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 tri-ennially 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) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

(p) 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.

Contract losses - the group makes provision for contracts where expected contribution does not include a reasonable allocation of overheads.

Guarantee liability - the group makes provision for liabilities under guarantees entered into by the group, to the extent that it is considered probable that an obligation will arise.

2 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 profit of £1,079,000 (2009: loss of £636,000) has been dealt with in the accounts of the parent. This profit is before dividends paid of £1,334,000 (2009: £1,950,000).

3 Segmental information

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

Turnover	2010 £000	2009 £000
United Kingdom & Ireland	212,154	231,221
East Asia	26,546	18,379
North America	43,463	49,532
Latin America	15,728	11,019
Middle East	113,538	148,229
Europe (excluding United Kingdom & Ireland)	16,729	15,145
South Asia	8,311	8,910
Africa	3,072	3,519
Australia	25,940	20,612
	465,481	506,566

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

Profit/(loss) on ordinary activities before taxation	2010 £000	2009 £000
United Kingdom and Ireland	16,112	20,689
East Asia	972	(44)
North America	(6,102)	(364)
Latin America	(2,257)	(484)
Middle East	860	13,420
Europe (excluding United Kingdom & Ireland)	(73)	(652)
South Asia	998	(930)
Africa	480	(147)
Australia	2,365	(3,552)
	13,355	27,936
Net interest excluding exchange (loss)/gain on foreign currency borrowings	(4,312)	(4,872)
Common costs	(227)	(6,719)
	8,816	16,345

Net assets/(liabilities)	2010 £000	2009 £000
United Kingdom and Ireland	(13,901)	1,710
East Asia	6,041	3,705
North America	32,598	31,592
Latin America	4,561	2,157
Middle East	47,149	37,821
Europe (excluding United Kingdom & Ireland)	3,377	2,104
South Asia	4,568	1,987
Africa	206	449
Australia	3,321	2,935
	87,920	84,460
Unallocated net liabilities	(71,514)	(79,535)
	16,406	4,925

Common costs relate to the provision made for a guarantee liability as described in note 19.

Unallocated net liabilities consist of the pension scheme liabilities as described in note 33 and the provision for a guarantee liability as described in note 19.

4 Operating profit

Operating profit is stated after charging/(crediting)	2010 £000	2009 £000
Auditors' remuneration for audit - group	181	177
Auditors' remuneration for other services - group	98	27
Depreciation of tangible fixed assets - owned	7,194	6,836
- leased	211	94
Amortisation of goodwill	1,684	1,699
Increase in bad debt provisions	1,060	10,337
Exceptional working capital provision	3,996	-
Exceptional redundancy and other related costs	3,919	7,071
Guarantee provision	227	6,719
Loss on sale of tangible fixed assets	89	153
Exchange (gains)/losses	(4,045)	5,175
Operating leases		
Plant and machinery	1,055	1,141
Other	13,729	12,855

The group audit fee includes £10,000 (2009: £10,000) in respect of the company. Non-audit fees comprise tax services of £21,000 (2009: £13,000) and other services of £77,000 (2009: £14,000).

Exceptional redundancy and other related costs were incurred following a number of redundancies in regions where the economic retrenchment has been felt most strongly.

An exceptional working capital provision has been made against project and related exposures in limited parts of the Middle East given concerns as to recoverability.

5 Interest receivable and similar income

Interest receivable on:	2010 £000	2009 £000
Short-term bank deposits	42	83
Other loans	-	169
Other interest	4	29
Exchange gain on foreign currency borrowings	-	53
	46	334

6 Interest payable and similar charges

Interest payable on:	2010 £000	2009 £000
Bank loans and overdrafts	2,023	793
Finance leases	25	84
Debentures	-	1
Net interest charge on pension schemes	2,265	3,267
Other loans	45	1,061
	4,358	5,206

7 Employee information

(a) the average number of persons, including directors, employed by the group during the year was:	2010 Number	2009 Number
Professional and technical	5,253	5,714
Administrative	1,054	1,128
	6,307	6,842
(b) staff costs during the year were:		
	2010 £000	2009 £000
Wages and salaries	250,867	269,673
Social security costs	16,740	16,835
Other pension costs	15,632	11,937
Share based payments	105	114
Redundancy costs	3,919	6,747
	287,263	305,306

8 Directors' emoluments

Staff costs include the following emoluments of directors of Halcrow Holdings Limited:	2010 £000	2009 £000
Aggregate emoluments	1,385	1,239
Contributions to money-purchase pension arrangement	133	99
	1,518	1,338
	Number	Number
The number of directors who:		
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase pension scheme	6	5
	2010 £000	2009 £000
Aggregate emoluments include amounts paid to:		
The highest paid director		
Emoluments	243	290
Contributions to money-purchase pension arrangements	35	27
	2010 £000	2009 £000
The highest paid director had benefits under the Halcrow Pension Scheme as follows:		
Accrued annual pension at end of year	88	95

Four directors, including the highest paid director, exercised share options during the year (2009: none). The gain on exercise was £49,000.

9 Tax on profit on ordinary activities

	2010 £000	2009 £000
United Kingdom corporation tax at 28 per cent		
Current year	405	2,648
Adjustment in respect of prior periods	(828)	(856)
	(423)	1,792
Less: Double taxation relief	(709)	-
	(1,132)	1,792
Overseas taxation		
Current year	542	(1,556)
Adjustment in respect of prior periods	-	2,500
Share of joint ventures' tax charge	64	36
Total current tax	(526)	2,772
Deferred taxation, origination and reversal of timing differences	698	(541)
Deferred taxation, pension liability	1,562	1,871
Tax on profit on ordinary activities	1,734	4,102

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 28% (2009: 28%). 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.

	2010 £000	2009 £000
Profit on ordinary activities before tax	8,816	16,345
Tax on profit on ordinary activities at standard rate	2,468	4,577
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	(4,047)	(3,089)
Pension provision	(43)	(2,774)
Capital allowances (in excess of) / less than depreciation	(226)	430
Losses not provided	2,685	2,230
Short term timing differences	185	(686)
Foreign tax charged at higher rates than UK standard rate	763	440
Adjustments in respect of prior periods		
United Kingdom corporation tax	(828)	(856)
Overseas taxation	(1,547)	2,500
Other	64	-
Total current tax	(526)	2,772

10 Ordinary dividends

	2010 £000	2009 £000
Interim paid: 8.0p (2009:13.05p) per ordinary share.	654	910
Final paid: 10.0p (2009: 14.45p) per ordinary share.	680	1,040
	1,334	1,950

The Halcrow Trust waived its rights to dividends payable on its holdings of both ordinary and preference shares in respect of both the year ended 31 December 2010 and the year ended 31 December 2009.

The directors recommend a final dividend payment of 4.0p (2009:10.0p) per ordinary share payable to those members on the register at the close of business on 24 May 2011. This, together with the interim dividend paid in January 2011 of 8.0p (2009:10.0p) per ordinary share, gives a total dividend for the year of 12.0p compared with 20.0p for the year ended 31 December 2009.

11 Intangible assets - goodwill

Group	Goodwill £000	Negative goodwill £000
Cost		
At 1 January 2010	31,512	(375)
Exchange movements	1,914	-
At 31 December 2010	33,426	(375)
Amortisation		
At 1 January 2010	11,549	(375)
Exchange movements	383	-
Charge for year	1,684	-
At 31 December 2010	13,616	(375)
Net book value		
At 31 December 2010	19,810	-
At 31 December 2009	19,963	-

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

Company

The company has no intangible assets.

12 Tangible fixed assets

Group	Land and buildings		Motor Vehicles	Furniture and equipment	Total
	Freehold £000	Leases £000			
Cost					
At 1 January 2010	8,208	6,323	1,246	47,222	62,999
Exchange movement	-	170	12	1,172	1,354
Additions	-	436	437	9,025	9,898
Disposals	-	(115)	(237)	(6,975)	(7,327)
Transfer/adjustment	(55)	1,375	28	(1,334)	14
At 31 December 2010	8,153	8,189	1,486	49,110	66,938
Depreciation					
At 1 January 2010	4,164	4,230	834	34,825	44,053
Exchange movement	-	47	12	532	591
Charge for the year	159	730	345	6,171	7,405
Disposals	-	(104)	(198)	(6,936)	(7,238)
Transfer/adjustment	(55)	333	51	(315)	14
At 31 December 2010	4,268	5,236	1,044	34,277	44,825
Net book value					
At 31 December 2010	3,885	2,953	442	14,833	22,113
At 31 December 2009	4,044	2,093	412	12,397	18,946

The directors believe that the value of tangible fixed assets is not materially different to its fair value.

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

Net book value at end of year	2010 £000	2009 £000
Furniture and equipment	3,974	187
Depreciation charge for the year	2010 £000	2009 £000
Furniture and equipment	211	94

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. The latest valuation carried out by Strutt & Parker as at 16 April 2009 gave a value of £4,207,000 and the cost of the property was impaired to this value in the 2008 financial statements.

Company

The company has no tangible fixed assets.

13 Investments in joint ventures and associated undertakings

Group	2010 £000
Joint ventures	
Cost plus share of retained profit	
At 1 January 2010	471
Share of retained profits in the year	83
Exchange movements	(11)
At 31 December 2010	543

14 Trade investments

Group	2010 £000
Cost	
At 1 January 2010 and 31 December 2010	7

The directors consider the market value of the trade investments at 31 December 2010 to be not less than their carrying value.

15 Investments in subsidiary undertakings

Company Shares in subsidiary undertakings	2010 £000
Cost	
At 1 January 2010 and 31 December 2010	11,319
Provisions	
At 1 January 2010 and 31 December 2010	1,119
Net book value	
At 31 December 2009 and 31 December 2010	10,200

The principal subsidiary undertakings are listed in note 36 of the financial statements.

16 Debtors

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts falling due within one year				
Trade debtors	108,411	93,934	-	-
Amounts recoverable on contracts	44,097	48,656	-	-
Amounts owed by subsidiary undertakings	-	-	31,399	23,435
United Kingdom corporation tax	673	-	-	265
Other debtors	13,045	13,878	275	-
Pre-payments and accrued income	2,563	8,757	-	-
	168,789	165,225	31,674	23,700
Amounts falling due in more than one year				
Deferred taxation:				
Depreciation in excess of capital allowances	165	740	-	-
Losses	9	59	-	-
Other timing differences	125	154	-	-
Pension	307	351	-	-
	606	1,304	-	-
Other debtors	6	-	-	-
	612	1,304	-	-
	169,401	166,529	31,674	23,700

16 Debtors (continued)

Deferred taxation

The movement in the total deferred tax asset during the year reconciles as follows:

	£000
Balance at 1 January 2010	1,304
Charge to profit and loss account	(698)
Balance at 31 December 2010	606

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses as there is insufficient evidence that the losses will be utilised in the foreseeable future. The amount of the asset not recognised is £5,389,000 (2009: £4,230,000). The asset would be recovered if sufficient future taxable profits were to be made in the appropriate jurisdictions.

17 Creditors - amounts falling due within one year

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts falling due within one year				
Bank loans and overdrafts - secured	39,965	19,518	7,097	-
Payments on account	37,937	48,723	-	-
Trade creditors	12,167	5,596	-	-
Obligations under finance leases	47	84	-	-
Amounts owed to associated undertakings	290	1,988	-	-
United Kingdom corporation tax	-	780	155	-
Other taxation and social security	6,009	11,929	-	-
Debentures - unsecured	-	18	-	18
Deferred consideration	480	408	-	-
Other creditors	2,665	12,967	12	-
Accruals and deferred income	24,676	27,840	28	-
	124,236	129,851	7,292	18

Bank loans and overdrafts

Bank loans and overdrafts are secured by fixed and floating charges over the group's assets. Interest is charged on a sliding scale dependent on the amount of facilities drawdown. The interest rate charged since agreement of the facilities on 17 December 2009 is LIBOR plus a 2.75% margin.

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 half-yearly instalments to each holder after he ceases to be employed by the group. The debentures are fully repaid at 31 December 2010.

17 Creditors - amounts falling due within one year (continued)

The movements on debentures were as follows:

Group and company	2010 £000	2009 £000
Balance at beginning of the year	18	29
Redemptions	(18)	(11)
Balance at the end of the year	-	18

18 Creditors - amounts falling due after more than one year

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Obligations under finance leases	2,722	89	-	-
Deferred consideration	-	408	-	-
Accruals and deferred income	-	6	-	-
	2,722	503	-	-

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.

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Maturity of financial liabilities				
Less than one year	40,012	19,602	-	-
Between two and five years	2,722	89	-	-
	42,734	19,691	-	-

19 Provisions for liabilities and charges

Group	At 1 Jan 2010 £000	Charged/ (credited) to profit and loss account £000	Other £000	At 31 Dec 2010 £000
Property dilapidation	3,065	281	-	3,346
Excesses on insured claims	568	1,000	(118)	1,450
Contract losses	1,157	(141)	-	1,016
Guarantee liability	6,719	227	(645)	6,301
	11,509	1,367	(763)	12,113
Company				
Guarantee liability	6,719	227	(645)	6,301
	6,719	227	(645)	6,301

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 2010 and 2021.

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. The provision will be utilised over the period of the related claim.

Contract losses

Provision is made in accordance with SSAP 9 for contracts whose expected contribution does not include a reasonable allocation of overheads. The provision will be utilised over the period of the related contracts.

Guarantee liability

Provision is made for a lease obligation arising under a guarantee issued by Halcrow Holdings Limited on 11 September 1987. On 20 April 2010 the company was served a section 17 Landlord and Tenant (Covenants) Act 1995 notice, notifying it of a potential liability as guarantor. The provision is expected to be utilised between 2011 and 2013.

20 Share capital

Group and company	2010 £000	2009 £000
Authorised		
25,000,000 ordinary shares of £1 each	25,000	25,000
10,000 non-redeemable preference shares of each £1	10	10
	25,010	25,010
Allotted and fully paid		
20,594,648 (2009: 20,145,755) ordinary shares of £1 each	20,595	20,146
10,000 non-redeemable preference shares of each £1	10	10
	20,605	20,156

20 Share capital (continued)

During the year, 268,094 ordinary shares of £1 each were issued in relation to the exercise of the share incentive plan (see note 22). The total cash consideration received was £566,916. Additionally, 93,776 ordinary shares were issued for total consideration of £361,975 as part of the Share Incentive Plan; 70,308 ordinary shares were issued for total consideration of £179,988 for the Company Share Option Plan and 16,715 ordinary shares were issued for total consideration of £64,520 for the Dividend Reinvestment Plan.

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.

21 Share premium account

Group and company	2010 £000	2009 £000
At the beginning of the year	4,097	3,273
On shares issued during the year	724	824
At the end of the year	4,821	4,097

22 Options

Options in respect of 1,249,866 ordinary shares of £1 each were outstanding at 31 December 2010 (2009: 1,491,188) under the group's savings-related share option scheme. These may be exercised as follows:

Option price	Exercisable	At 1 Jan 2010 Number	Granted Number	Exercised Number	Lapsed Number	At 31 Dec 2010 Number
195p	2010	170,963		125,577	1,175	44,211
205p	2009	60,223		45,619	14,604	-
205p	2011	83,612		5,890	8,407	69,315
220p	2010	143,485		99,861	3,679	39,945
220p	2012	78,766		2,286	7,598	68,882
315p	2011	343,388		7,449	48,359	287,580
315p	2013	489,138		2,013	16,591	470,534
315p	2015	121,613		4,717	21,125	95,771
386p	2013	-	47,489	-	-	47,489
386p	2015	-	97,478	-	788	96,690
386p	2017	-	29,449	-	-	29,449
		1,491,188	174,416	293,412	122,326	1,249,866

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

The weighted average share price during the year was 395.2p.

The weighted average life of the options outstanding at 31 December 2010 was 967 days.

174,416 options were granted during 2010 and the group's share-based payments charge for 2010 is £105,000 (2009: £113,000). The fair values were determined using the Black Scholes valuation model which included the following significant inputs:

Risk-free interest rate	5%
Dividend yield	10%
Expected share price volatility	26%

The share price volatility is based on similar UK businesses operating in the same sector.

23 Profit and loss account reserve

	Group	Company
	2010	2010
	£000	£000
At the beginning of the year	(27,746)	3,110
Retained profit for the year	7,082	1,079
Ordinary dividends	(1,334)	(1,334)
Actuarial loss on pension scheme (net of deferred tax)	3,380	-
Share based payments	105	-
At the end of the year	(18,513)	2,855

24 Translation reserve

	Group	Company
	2010	2010
	£000	£000
At the beginning of the year	8,418	-
Movement on reserve in the year	1,075	-
At the end of the year	9,493	-

25 Total shareholders' funds

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
At the beginning of the year	4,925	18,754	27,363	28,685
Profit/(loss) for the year after taxation	7,082	12,243	1,079	(637)
Ordinary dividends	(1,334)	(1,950)	(1,334)	(1,949)
Allotment of ordinary shares	1,173	1,264	1,173	1,264
Actuarial gain/(loss) on pension scheme (net of deferred tax)	3,380	(20,560)	-	-
Movement on translation reserve	1,075	(4,940)	-	-
Share based payments	105	114	-	-
At the end of the year	16,406	4,925	28,281	27,363

26 Net cash (outflow)/inflow from operating activities

	2010	2009
	£000	£000
Operating profit	12,936	21,111
Depreciation of tangible fixed assets	7,405	6,930
Impairment of fixed assets	-	-
Amortisation of goodwill	1,684	1,699
Profit on sale of fixed assets	89	153
Increase/(Decrease) in debtors	542	(9,939)
(Decrease)/Increase in creditors	(29,464)	6,633
Increase/(Decrease) in provisions	591	5,132
Adjustment for pension funding	(8,050)	(9,950)
Adjustment for foreign exchange differences	-	-
Adjustment for share based payments	105	114
	(14,162)	21,883

27 Reconciliation of cash flow to movement in net debt

	2010 £000	2009 £000
(Decrease)/increase in cash in the year	(25,831)	2,068
Capital element of finance lease payments	84	94
Repayment of bank loans	-	5,861
Repayment of debenture loans	18	11
Movement in net debt resulting from cash flows	(25,729)	8,034
New finance leases	(2,680)	-
Exchange movements	512	163
	(27,897)	8,197
Net debt at the beginning of the year	(6,021)	(14,218)
Net debt at the end of the year	(33,918)	(6,021)

28 Analysis of net debt

	2009 £000	Cash flow	Other non-cash changes	2010 £000
Cash at bank and in hand	13,688	(5,384)	512	8,816
Bank loans and overdrafts				
Amounts falling due within one year	(19,518)	(20,447)	-	(39,965)
	(5,830)	(25,831)	512	(31,149)
Bank loans and overdrafts				
Amounts falling due after one year	-	-	-	-
Obligations under finance leases				
Amounts falling due within one year	(84)	(2,596)	2,633	(47)
Amounts falling due after more than one year	(89)	-	(2,633)	(2,722)
Debentures				
Amounts falling due within one year	(18)	18	-	-
	(6,021)	(28,409)	512	(33,918)

The non-cash movement results from the re-translation of loans denominated in foreign currencies at closing exchange rates.

29 Capital commitments

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Contracted but not provided for in the financial statements	256	7,600	-	-

30 Derivatives not included at fair value

The group has derivatives which are not included at fair value in the accounts:

	Principal	Fair value	
	£000	2010 £000	2009 £000
Group			
Forward foreign exchange contracts	65,546	(376)	(265)
Interest rate swap contracts	1,887	(46)	(128)
	67,433	(422)	(393)

The group uses the derivatives to hedge its exposures to changes in foreign currency exchange rates and to manage its exposure to interest rate movements on its bank borrowings. The fair values are based on market values of equivalent instruments at the balance sheet date.

The group has an interest rate swap with a nominal value of US\$2,954,000 at 31 December 2010 (2009: US\$5,064,000). The Group pays a fixed interest of 4.25 per cent and receives interest at US LIBOR. The nominal value of the interest rate swap amortises to a final value of US\$738,500 and matures on 30 November 2011.

31 Contingent liabilities

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Performance and advance payment bonds provided by banks	32,075	32,456	-	-
Borrowings of subsidiary undertakings for which guarantees have been given	-	-	39,965	19,518
	32,075	32,456	39,965	19,518

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.

32 Lease commitments

At 31 December 2010 the group was committed to making the following payments during the next year in respect of operating leases:

	Group	
	2010 £000	2009 £000
Land and buildings		
Leases which expire:		
Within one year	1,849	2,504
In second to fifth years	5,493	4,917
After more than five years	4,636	4,636
	11,978	12,057
Other		
Leases which expire:		
Within one year	166	141
In second to fifth years	681	841
	847	982

The company had no operating lease commitments.

33 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 is a defined benefit scheme. The Group also sponsors the Pension & Life Assurance Plan of Halcrow Fox & Associates Limited and contributes to the Halcrow Rail section of the Railways Pension Scheme, both of which are also defined benefit arrangements. Contributions are paid to the schemes as agreed with the trustees of those schemes.

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

Over the year to 31 December 2010, contributions by the group of £7.5m were made to the main scheme (2009: £9,600,000). Contributions have recently been reviewed as part of the full actuarial valuation of the main scheme with an effective date of 31 December 2008. Under the new schedule of contributions, contributions of £7.5m would be payable in 2011. 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 £750,000 (2009: £750,000) were made to the Halcrow Fox scheme. In agreement with the Trustees, the group has agreed to pay contributions of £600,000 per year for six years from 2011. Contributions of £1,000,000 (2009: £935,000) were made to the Railways Scheme. Further contributions were made to other smaller arrangements.

The group contributed £12,900,000 (2009: £13,285,000) to the HMPP, which is a defined contribution arrangement.

Calculations based on a full actuarial valuation of the main scheme as at 31 December 2008 have been updated to the accounting date by an independent qualified actuary in accordance with FRS17. As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

33 Pension commitments (continued)

The following tables set out the key FRS17 assumptions used for the schemes. The tables below also set out as at 31 December 2009 and 31 December 2010 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.

The Halcrow Pension Scheme

Assumptions	2010	2009
Price inflation	3.4% pa	3.5% pa
Discount rate	5.6% pa	5.9% pa
Pension increases (fixed)	5.0% pa	5.0% pa
Pension increases (5% LPI)	3.3% pa	3.4% pa
Salary Growth (on average)	4.4% pa	4.5% pa

The Halcrow Fox scheme and the Railways scheme

Assumptions	2010	2009
Price inflation	3.4% pa	3.5% pa
Discount rate	5.6% pa	5.8% pa
Pension increases (fixed)	5.0% pa	5.0% pa
Pension increases (5% LPI)	3.3% pa	3.4% pa
Salary Growth (on average)	4.4% pa	4.5% pa

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 25.0 years (2009: 24.9 years). Allowance is made for future improvements in life expectancy, so a pensioner reaching the age of 60 in 2030 would be expected to live for a further 27.1 years.

Expected returns on assets

The Halcrow Pension Scheme

Components	2010	2009
Equities	9.0% pa	9.0% pa
Bonds	5.0% pa	5.0% pa
Property	6.7% pa	6.7% pa
Actively managed currency fund	8.4% pa	8.4% pa
Other	2.2% pa	2.2% pa
Overall returns expected over the accounting year	6.7% pa	6.7% pa

The Halcrow Fox scheme and the Railways scheme

Components	2010	2009
Equities	9.0% pa	8.4% pa
Bonds	5.0% pa	5.0% pa
Property	6.7% pa	6.1% pa
Actively managed currency fund	8.4% pa	7.8% pa
Other	2.2% pa	2.0% pa
Overall returns expected over the accounting year	6.7% pa	6.7% pa

The above expected rates of return are used to calculate the expected return figures stated below. 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 2010 was a gain of £45,262,000 (2009: gain of £43,700,000).

33 Pension commitments (continued)

Components	31 December 2010		Total £000
	Fair value: schemes in deficit £000	Fair value: schemes in surplus £000	
Equities	190,409	-	190,409
Bonds	179,527	-	179,527
Property	19,300	-	19,300
Actively managed currency fund	4,307	-	4,307
Balance sheet			
Total fair value of assets	393,543	-	393,543
Present value of liabilities	(482,876)	-	(482,876)
Deficit in the schemes	(89,333)	-	(89,333)
Related deferred tax	24,120	-	24,120
Net pension liabilities	(65,213)	-	(65,213)
Components	31 December 2009		Total £000
	Fair value: schemes in deficit £000	Fair value: schemes in surplus £000	
Equities	156,707	-	156,707
Bonds	166,712	-	166,712
Property	14,400	-	14,400
Actively managed currency fund	10,100	-	10,100
Other	7,742	-	7,742
Balance sheet			
Total fair value of assets	355,661	-	355,661
Present value of liabilities	(456,794)	-	(456,794)
Deficit in the schemes	(101,133)	-	(101,133)
Related deferred tax	28,317	-	28,317
Net pension liabilities	(72,816)	-	(72,816)

33 Pension commitments (continued)

Under FRS17, the schemes are represented on the balance sheet as net pension liabilities of £65,213,000 (2009: £72,816,000).

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

	2010 £000	2009 £000
Scheme liabilities at the beginning of the year	(456,794)	(396,602)
Current service cost	(1,200)	(1,100)
Interest on post-retirement liabilities	(26,776)	(24,175)
Actuarial loss	(14,736)	(51,347)
Benefits paid	16,630	16,430
Scheme liabilities at the end of the year	(482,876)	(456,794)

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

	2010 £000	2009 £000
Scheme assets at the beginning of the year	355,661	317,341
Expected return on plan assets	24,511	20,908
Contributions including those of employees	9,250	11,050
Actuarial gain	20,751	22,792
Benefits paid	(16,630)	(16,430)
Scheme assets at the end of the year	393,543	355,661

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

	2010 £000	2009 £000
Current service cost	1,200	1,100
Employee contributions	(1,482)	(1,387)
Total operating charge	(282)	(287)

The following amounts have been included as net finance income/(costs) under FRS17:

	2010 £000	2009 £000
Expected return on pension scheme assets	24,511	20,908
Interest on post-retirement liabilities	(26,776)	(24,175)
Net expense to finance income	(2,265)	(3,267)

33 Pension commitments (continued)

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

	31 December 2010	31 December 2009	31 December 2008	31 December 2007	31 December 2006
Total fair value of assets	393,543	355,661	317,341	364,192	341,690
Present value of liabilities	(482,876)	(456,794)	(396,602)	(436,539)	(434,791)
Deficit in the schemes	(89,333)	(101,133)	(79,261)	(72,347)	(93,101)

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

	2010	2009	2008	2007	2006
Actual return less expected return on scheme assets (£000)	20,751	22,792	(66,995)	(3,190)	8,668
Percentage of scheme assets	5.27%	6.41%	(21.11)%	(0.99)%	2.54%
Experience gains and (losses) arising on schemes' liabilities (£000)	5,626	(21,900)	(8)	152	(1,090)
Percentage of the value of the schemes' liabilities	1.17%	(4.79)%	0.00%	0.04%	(0.25)%
Total amount recognised in the STRGL (£000)	6,015	(28,555)	(16,406)	8,379	6,806
Percentage of the value of the schemes' liabilities	(7.65)%	(6.14)%	(4.14)%	2.12%	10.44%

The cumulative actuarial losses recognised in the STRGL since 1st January 2002 are £110,445,000 (2009: a cumulative loss of £113,825,000).

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

	2010 £000	2009 £000
Funded defined benefit schemes	325	1,220
Defined contribution schemes	15,307	10,717
Charge per note 7b	15,632	11,937

34 Assets pledged

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

35 Related party transactions

Joint ventures

There were no transactions with, or amounts due to or by, Halcrow (Shanghai) Engineering Consulting Corporation Limited at 31 December 2010 (2009: nil).

The Halcrow Trust

During the year the group received £5,000 in interest from the Halcrow Trust (2009: £169,000) and paid £45,000 in interest to the Halcrow Trust (2009: £1,061,000). An amount of £1,008,000 was due to the group from the Halcrow Trust at 31 December 2010 (2009: £4,242,000 due from the group to the Halcrow Trust).

36 Principal subsidiary and associated undertakings and joint ventures

	Percentage owned	Country of registration	Principal country/ area of operation
Subsidiary undertakings:-			
Halcrow Group Limited	100%	England	Worldwide
Halcrow Rural Management Limited	100%	England	Worldwide
Asia Halcrow Inc	100%	Philippines	East Asia
Burderop Investments Limited*	100%	England	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 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 Consulting India Private Limited	100%	India	South Asia
Halcrow Consultants Sdn Bhd	100%	Malaysia	East Asia
Halcrow Consulting (Shenzhen) Co. Limited	100%	China	East Asia
Halcrow Consulting Inc	100%	Canada	North America
Halcrow Consulting Limited*	100%	England	Great Britain
Halcrow Consulting Services Pty Ltd	100%	Australia	Australia
Halcrow do Brasil Ltda	100%	Brazil	Latin America
Halcrow Group (Thailand) Limited	100%	Thailand	East Asia
Halcrow Group Ireland Limited	100%	Republic of Ireland	Europe
Halcrow Inc	100%	USA	North America
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 LLC	100%	Oman	Middle East
Halcrow Pacific Pty Limited	100%	Australia	Australia
Halcrow Pakistan (Pvt) Limited	100%	Pakistan	Pakistan
Halcrow Panama SA	100%	Panama	Latin America
Halcrow Rail Approvals Limited	100%	England	Great Britain
Halcrow Romania SRL	100%	Romania	Europe
Halcrow Group (Trinidad & Tobago) Limited	100%	Trinidad & Tobago	Trinidad & Tobago
Halcrow Water Services Limited	100%	England	Great Britain
Sir William Halcrow & Partners (Malaysia) Limited	100%	England	East Asia
Sir William Halcrow & Partners Limited	100%	England	Latin America
Yolles Partnership Inc	100%	Canada	North America
Yolles Partnership Limited	100%	England	Great Britain

36 Principal subsidiary and associated undertakings and joint ventures continued

	Percentage owned	Country of registration	Principal country/ area of operation
Joint ventures:-			
Halcrow (Shanghai) Engineering Company Limited	50%	China	East Asia
Halcrow Barry Limited	50%	Republic of Ireland	Europe

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.

Notes

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