

Halcrow Holdings Limited

Summarised annual report and financial statements

31 December 2005

The summary annual report and financial statements are only a summary of information in the company's annual financial statements and directors' report. They do not contain sufficient information to allow as full an understanding of the results of the group and state of affairs of the company and the group as would be provided by the full annual report and financial statements. A copy of the company's full annual report and financial statements, on which the auditors issued an unqualified opinion, may be obtained free of charge from The Secretary, Halcrow Holdings Limited, Vineyard House, 44 Brook Green, London W6 7BY.

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Summarised directors' report

The directors present their summary annual report and financial statements for the year ended 31 December 2005.

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 before taxation of £10,462,000 (2004 (restated): £10,597,000).

3 Dividend

In respect of the year ended 31 December 2005, the directors recommend a final dividend payment of 10p (2004: 10p) per ordinary share payable to those members on the register at the close of business on 30 June 2006. This, together with the interim dividend paid in January 2006 of 10p (2004: 10p) per ordinary share, gives a total dividend for the year of 20p compared with 20p for the year ended 31 December 2004.

4 Business review and future developments

Turnover in 2005 grew by 15 per cent, helped by our two acquisitions in North America. Although profits, at £10.5 million, are only marginally behind 2004 (£10.6 million), profitability before adjustments relating to new accounting standards was significantly up, with higher profit-related bonuses for employees.

The proportion of our work outside the UK grew, with 40 per cent of turnover in our international regions. This reflects the board's decision to develop a more diverse portfolio of work, balancing market risks across different geographic areas. North America is now a significant market, with turnover more than doubling compared to 2004, complementing our Middle East business.

Accounting standard FRS 17 was adopted for the first time in 2005, a major change in how pension costs and liabilities are reported. A consequence is that pension deficits must be shown as a long-term liability on the balance sheet rather than as a note to the accounts.

For Halcrow this means our balance sheet shows negative equity, but this is an accounting change and does not change the ongoing viability of the company. We continue to fund our pension schemes in accordance with the schedules of contributions agreed with scheme trustees and our actuarial advisors.

Another consequence is that we report higher profits because pension contributions, in respect of past deficits, are no longer shown in the profit and loss account.

In the consulting business group, profits improved by 11 per cent in the year in an increasingly competitive environment, with a strong performance again from urban

planning, significant growth in transportation planning and increased volume of environmental business.

The team had a good year with frameworks for UK local authorities and Transport for London. We also rebid for all our water certification work and now command 40 per cent of the UK market.

This was the first year of operation for the maritime business group, formed by merging our maritime business with that of our US acquisition, Han-Padron Associates (HPA).

It was a difficult year for the maritime team, with all regions reporting lower profits than anticipated. Creating a new business group and integration were more time-consuming and expensive than anticipated and some significant UK and US projects were deferred. The end of the year, however, saw strong work-winning performance and results early in 2006 show a significant improvement.

With the benefit of a full year's profits from our Canadian acquisition, Yolles, the property team recorded a 67 per cent increase compared to 2004. Excluding Yolles, profits grew by a healthy 10 per cent.

The acquisition of Yolles increased our market share and delivered anticipated profits. Most regions delivered higher earnings and gross margins, with a good platform of work entering 2006.

Our transportation business group also performed well, significantly exceeding its budget.

The rail team saw a strong recovery in the UK and Australia, reporting turnover and gross profits 40 per cent higher than in 2004.

Rail Link Engineering, the joint venture delivering the Channel Tunnel Rail Link, continued to perform strongly, with the project on schedule for delivery in 2007.

Deferrals of significant projects and a lighter workload than anticipated for the highways team pushed down turnover and profits, but it started 2006 with a strong workload, with projects in the UK and around the world.

The team won a number of crucial tenders with key clients, including two major four-year frameworks with the Highways Agency. Around 30 commissions and frameworks Halcrow already has with this client are now incorporated into these two frameworks.

A strong end to the year saw an on-budget performance for our water and utilities team, with most market sectors performing well, despite work volumes being lower in the UK. The team overcame resource issues, attracting 70 new staff in the last six months of the year.

The other half of the Halcrow Water Services (HWS) joint venture changed ownership during the year.

The retention of the National Engineering and Environmental Consultancy Agreement (NEECA) framework contract with the Environment Agency was an important achievement. Halcrow is one of six consultants providing services over the next four years.

The Middle East was our top-performing region in 2004 and continued to perform well into 2005. Project winning was strong across our sectors.

Halcrow was commissioned to undertake the master planning, traffic planning and engineering design of a major extension to the Dubai Creek, linking a number of urban developments.

In mainland Europe, we're building our business from four main centres: Latvia, Romania, Poland and Ireland.

We have a joint venture, Halcrow Barry, with J B Barry and Partners in Ireland and part ownership of a company in Hungary.

In the Republic of Ireland we won a major design-and-build contract and two roles as client's representative on major inter-urban highway schemes, as part of our joint venture. Halcrow Group Ireland Limited secured significant railway and airport commissions and our recently established office in Dublin enables us to develop more opportunities in the Irish market.

We set up our wholly foreign-owned enterprise in China in 2005. This allows us to trade as a permanent establishment in China, open up subsidiaries in other cities and repatriate funds.

Our highways team in China has been providing expertise on a number of highway projects, contributing to China's plans to open up its central and western regions.

The business continues to grow in North America. Our two strategic acquisitions have increased the expertise we can offer and the markets open to us.

In the maritime sector, a new office in Houston enables us to concentrate on the oil and gas energy markets.

The merger of Yolles and Halcrow, extensively reported in the press, was well received. Staff numbers have grown to meet increasing demand.

In the UK, Halcrow was involved in three projects which were finalists in the Prime Minister's Better Public Building Award, part of the British Construction Industry Awards 2005: Boscastle Flood Defence Scheme, Sladesbridge Flood Defence Scheme and the A470 Cardiff to Glan Conwy Road.

The UK South region saw framework successes in a number of sectors. We now feature on three South West Regional Development Agency panels for urban design, planning and renewable energy.

Our geomatics team is providing surveying services to airport operator BAA over the next ten years.

Transport for London appointed Halcrow to a range of projects, including the Woolwich extension to the Docklands Light Railway, having completed the City Airport extension ahead of schedule.

In our UK North region, our signalling teams are working on automatic train protection for Northern Ireland Railways.

A-one, Halcrow's joint venture with Colas, had another successful year managing and maintaining motorways and trunk roads in the north-east of England for the Highways Agency. The team is negotiating a three-year extension worth £75 million.

In Scotland, Halcrow is civil and structural engineer and planning supervisor for the new Livingston Civic Centre, a significant breakthrough into the public sector here.

The company's target profit before tax for 2006 is 12 per cent higher than for 2005, with expectations that we can achieve a higher level of growth. We entered the year with a strong order book and more framework contracts, particularly in the UK.

Work winning is significantly above target. In the first quarter we have won projects worth over £50 million in Qatar alone, continuing our strong growth in the Middle East, plus a key win on London's Crossrail project, the largest transportation infrastructure project planned for the

south-east of England in the coming years.

We continue to drive forward business improvement and our diversification strategy, developing new markets and balancing our portfolio across our global operations. A major drive to improve cash flow is beginning to produce results and we continue to review and manage responsibly the pension issues we face.

Halcrow is in a strong position to move forward and achieve the vision and targets we have set for ourselves.

5 Directors

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

A K Allum, chairman
 P G Gammie, chief executive
 L G Buck
 C A Fleming
 N Holt
 D J Kerr
 Professor R Flanagan, non-executive director

Sir Michael Angus retired from the board of directors on 31 December 2005 and has not been replaced.

6 Auditors

The financial information set out herein does not constitute the company's statutory accounts for the year ended 31 December 2005, but is derived from those accounts. Statutory accounts for 2005 will be delivered to the Registrar of Companies following the company's Annual General Meeting. The auditors have reported on those accounts; their report dated 25 May 2006 was unqualified and did not contain statements under s237(2) or (3) Companies Act 1985.

Registered office:
 Vineyard House
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 London W6 7BY

Registered number:
 1674044

By order of the board



K Mair
 Secretary
 29 June 2006

Independent auditors' statement to the members of Halcrow Holdings Limited

We have examined the summary financial statements which comprise the summarised consolidated profit and loss account and summarised consolidated balance sheet together with the summarised directors' report.

This report is made solely to the company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our 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 auditors' 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, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summary annual report and financial statements in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statements with the full annual accounts and directors' report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We report whether the auditors' opinion on the full annual accounts was unqualified or qualified. We also read the other information contained in the summarised annual report and financial statements as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

Basis of audit opinion

We conducted our work in accordance with bulletin 1999/6 *The Auditors' Statement on the Summary Financial Statement* issued by the Auditing Practices Board for use in the United Kingdom.

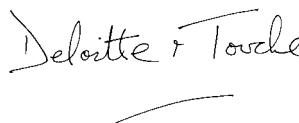
We have not considered the effects of any events between the date on which we signed our report on the annual accounts (25 May 2006) and the date of this statement.

Opinion

In our opinion the summary financial statements are consistent with the full annual accounts and directors' report of Halcrow Holdings Limited for the year ended 31 December 2005 and comply with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder. The auditors' report on the company's annual accounts was unqualified.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Reading



29 June 2006

Summarised consolidated profit and loss account

	2005 £000	Restated* 2004 £000
Group turnover	280,548	243,981
Share of (loss)/profit of joint ventures	(8)	24
Interest receivable and similar income	170	398
Profit on ordinary activities before taxation	10,462	10,597
Tax on profit on ordinary activities	(4,013)	(3,568)
Profit for the year after taxation	6,449	7,029
Ordinary dividends	(616)	(528)
Retained profit for the year	5,833	6,501
Directors' emoluments	1,036	1,060

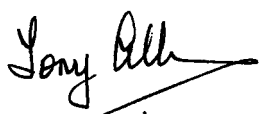
*Restated following application of FRS 17 Retirement Benefits and FRS 21 Events After the Balance Sheet Date.

Summarised consolidated balance sheet

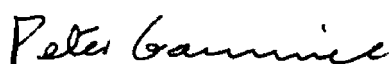
	2005 £000	Restated* 2004 £000
Fixed assets	40,118	30,882
Current assets	115,134	101,255
Creditors – amounts falling due within one year	(89,964)	(72,418)
Net current assets	25,170	28,837
Total assets less current liabilities	65,288	59,719
Creditors – amounts falling due after more than one year	(16,993)	(14,321)
Provisions for liabilities and charges	(2,143)	(1,920)
Net assets (excluding pension liability)	46,152	43,478
Net pension liability	(73,970)	(57,399)
Net liabilities (including pension liability)	(27,818)	(13,921)
Capital and reserves	(27,818)	(13,921)

*Restated following application of FRS 17 Retirement Benefits and FRS 21 Events After the Balance Sheet Date.

The financial statements were approved by the board of directors on 29 June 2006 and signed on its behalf by:



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Director



P G Gammie
Director

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