

HALLIBURTON CO
Form 11-K
June 29, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 11-K

(X) Annual Report pursuant to Section 15(d) of The Securities Exchange Act of 1934.
For the fiscal year ended December 31, 2004.

or

() Transition Report pursuant to Section 15(d) of The Securities Exchange Act of 1934.
For the transition period from _____ to _____.

Commission file number 1-3492

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Brown & Root, Inc.
Employees' Retirement and Savings Plan
4100 Clinton Dr.
Building 3, Room 1018
Houston, TX 77020

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Halliburton Company
(a Delaware Corporation)
75-2677995
1401 McKinney, Suite 2400
Houston, Texas 77010

Telephone Number - (713) 759-2600

Required Information

The following financial statements prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, signature and exhibits are filed for the Brown & Root, Inc. Employees' Retirement and Savings Plan:

Financial Statements and Supplemental Schedule

Report of Independent Registered Public Accounting Firm

Statements of Net Assets Available for Plan Benefits - December 31, 2004 and 2003

Statements of Changes in Net Assets Available for Plan Benefits -
Years ended December 31, 2004 and 2003

Notes to Financial Statements - December 31, 2004 and 2003

Supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) - December 31, 2004

Signature

Exhibit

Consent of KPMG LLP (Exhibit 23.1)

BROWN & ROOT, INC.
EMPLOYEES' RETIREMENT AND SAVINGS PLAN

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Schedules not listed above are omitted because of the absence of conditions under which they are required under the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Report of Independent Registered Public Accounting Firm

To the Halliburton Company

Benefits Committee:

We have audited the accompanying statements of net assets available for plan benefits of the Brown & Root, Inc. Employees' Retirement and Savings Plan (the Plan) as of December 31, 2004 and 2003, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2004 and 2003 and the changes in its net assets available for plan benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, line 4i - schedule of assets (held at end of year) as of December 31, 2004 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Houston, Texas
June 29, 2005

BROWN & ROOT, INC.
EMPLOYEES' RETIREMENT AND SAVINGS PLAN
 Statements of Net Assets Available for Plan Benefits
 December 31, 2004 and 2003

	2004	2003
Assets:		
Investments, at fair value -		
Cash and cash equivalents	\$ 558,809	\$ 733,386
Plan interest in Master Trust	550,263,395	570,374,100
Total investments	550,822,204	571,107,486
Receivables -		
Company contributions, net of forfeitures	770	1,501
Plan participants' contributions	77,478	87,864
Total receivables	78,248	89,365
Net assets available for plan benefits	\$ 550,900,452	\$ 571,196,851

See accompanying notes to financial statements.

BROWN & ROOT, INC.
EMPLOYEES' RETIREMENT AND SAVINGS PLAN
 Statements of Changes in Net Assets Available for Plan Benefits
 Years ended December 31, 2004 and 2003

	2004	2003
Additions:		
Contributions:		
Company, net of forfeitures	\$ 651,619	\$ 378,232
Plan participants	4,233,197	5,370,803
Rollovers	13,536	35,535
Investment income, net		
Plan interest in Master Trust investment gain	43,830,114	71,389,627
Total additions	48,728,466	77,174,197
Deductions:		
Benefits paid to participants	(69,024,865)	(60,868,298)
Total deductions	(69,024,865)	(60,868,298)
Net increase (decrease) to net assets available for plan benefits	(20,296,399)	16,305,899
Net assets available for plan benefits, beginning of year	571,196,851	554,890,952
Net assets available for plan benefits, end of year	\$ 550,900,452	\$ 571,196,851

See accompanying notes to financial statements.

BROWN & ROOT, INC.
EMPLOYEES' RETIREMENT AND SAVINGS PLAN

Notes to Financial Statements
December 31, 2004 and 2003

(1) Description of the Plan

The Brown & Root, Inc. Employees' Retirement and Savings Plan (the Plan) is a defined contribution plan for certain qualified employees of Halliburton Company and certain subsidiaries (Halliburton). The Plan is sponsored by Kellogg Brown and Root, Inc. (KBR or the Company). The Plan was established in accordance with Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended (IRC) and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The following description of the Plan provides only general information. Participants should refer to the plan document or summary plan description for a more complete description of the Plan's provisions.

(a) Eligibility

Certain employees of the Company are eligible for participation in the Plan upon their first anniversary date of employment following completion of 1,000 hours of credited service.

(b) Contributions

Participants may elect to contribute to the tax deferred savings and/or after-tax features of the Plan through periodic payroll deductions. These contributions are limited to an aggregate of 50% and 25% for 2004 and 2003, respectively, of the participant's eligible earnings up to \$205,000 and \$200,000 for 2004 and 2003, respectively. The total amount of participant tax deferred savings contribution is limited to \$13,000 and \$12,000 for 2004 and 2003, respectively. Any contributions in excess of these limits are automatically made to the participant's after-tax account. Additional limitations are in place for highly compensated employees under the provisions of the Plan.

Effective January 1, 2004, the Company matches 50% of the tax deferred savings contributions (other than catch-up contributions) that are not in excess of 4% of eligible earnings. Prior to January 1, 2004, the Company matched 25% of the tax deferred savings contribution up to a maximum Company match of \$250. The Company may make annual discretionary retirement allocation contributions, based on Company performance to participants, as defined by the Plan document. Participants are not required to have contributed to the Plan to be eligible for such a contribution. The participant's share of any discretionary retirement allocation contribution is based on a percentage of their eligible pay for the Plan year to be determined in the subsequent year after company performance results are recorded. For the plan year 2004 and 2003, the Company did not make a discretionary retirement allocation contribution.

Participants who are age 50 or older before the close of the Plan year may elect to make a catch-up contribution, subject to certain limitations under the IRC (\$3,000 and \$2,000 per participant in 2004 and 2003, respectively).

Employees are permitted to rollover pre-tax and after-tax amounts with earnings held in other qualified plans or individual retirement accounts (IRAs) into the Plan, as specified in the Plan document.

BROWN & ROOT, INC.
EMPLOYEES' RETIREMENT AND SAVINGS PLAN

Notes to Financial Statements
December 31, 2004 and 2003

(c) Plan Accounts

The Company has entered into a master trust agreement known as the Halliburton Company Employee Benefit Master Trust (the Master Trust). The Master Trust was established for the collective investment of certain defined contribution and defined benefit plans sponsored by Halliburton or its affiliates. The Plan maintains a clearing account, which invests in a short term investment fund to facilitate the payment of benefits and receipt of contributions to the Plan.

(d) Investment Elections and Transfers

Contributions and participant account balances may be directed to one of eleven funds or a combination of funds. The assets of the funds are held in the Master Trust (see note 3). Participants may direct up to a maximum of 15 percent of their contributions to the Halliburton Stock Fund (HSF).

The Plan allows participants to make daily transfers of their account balances among the funds. The amount of the transfer may be all or any portion of the participant's account balance. The Plan imposes a fifteen calendar-day waiting period on transfers involving the Non-U.S. Equity Fund.

(e) Administration

The Halliburton Company Benefits Committee (the Committee) controls and manages the operation and administration of the Plan. State Street Bank and Trust Company (State Street) is the Plan's trustee, and Hewitt Associates LLC is the recordkeeper.

(f) Vesting

Participants' contributions to their accounts and the earnings thereon are fully vested when made or earned. Participants are fully vested in Company matching contributions made subsequent to January 1, 2004 after 3 years of service. Prior to January 1, 2004, participants were fully vested in Company matching contributions and the earnings thereon. Participants have a vested interest in the Company discretionary retirement allocation contribution account based on years of service as follows:

Years of service	Vested percentage
Less than 3	0%
At least 3 but less than 4	20%
At least 4 but less than 5	50%
At least 5 but less than 6	60%
At least 6 but less than 7	80%
7 or more	100%

BROWN & ROOT, INC.
EMPLOYEES' RETIREMENT AND SAVINGS PLAN

Notes to Financial Statements
December 31, 2004 and 2003

The nonvested portion of a participant's account is forfeited at the end of the fifth year following termination unless the participant is rehired within five years of termination. Prior to January 1, 2004, forfeitures were reallocated to the accounts of eligible participants. Effective January 1, 2004, forfeitures are used to reduce Company contributions. Forfeitures available as of December 31, 2004 and 2003 are \$203,041 and \$276,306 respectively. Subsequent to December 31, 2003, forfeitures in the amount of \$274,820 were reallocated to eligible participants and forfeitures generated in 2004 in the amount of \$39,369 were used to offset Company contributions.

(g) Distributions

Each participant, or their designated beneficiary, may elect to receive a distribution upon retirement, termination, disability, or death. Direct rollovers to an IRA or other qualified plans are permitted. All distributions are made in lump-sum amounts or in periodic installments, at the participant's election. Distributions from the HSF may be in the form of shares of stock or cash.

While employed, a participant may make in-service withdrawals from their after-tax accounts as defined in the Plan document. In-service withdrawals are also permitted upon attainment of age 59-1/2 or proven financial hardship, subject to limitations under the Plan.

(h) Investment Earnings

Investment earnings on participants' accounts are allocated proportionately based on their relative account balance in each investment fund.

(i) Halliburton Stock Fund

Effective July 1, 2002, the HSF was converted into an Employee Stock Ownership Plan (ESOP). The ESOP is designed to comply with Section 4975(e)(7) of the IRC and Section 407(d)(6) of ERISA.

The ESOP has a dividend pass-through election whereby any cash dividends attributable to Halliburton Company Common Stock held by the ESOP are to be paid by Halliburton directly to the Trustee. Any cash dividends received by the Trustee which are attributable to financed stock are to be used by the Trustee to make exempt loan payments until the exempt loan has been repaid in full. During 2004 and 2003, there were no loans related to stock purchases.

Each participant is entitled to exercise voting rights attributable to the Halliburton Company Common Stock allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any allocated shares for which instructions have been given by a participant. The Trustee is required, however, to vote at their discretion all shares which have not been voted by Plan participants and beneficiaries.

BROWN & ROOT, INC.
EMPLOYEES' RETIREMENT AND SAVINGS PLAN

Notes to Financial Statements
December 31, 2004 and 2003

(j) Plan Termination

The Board of Directors of Halliburton may amend, modify, or terminate the Plan at any time. No such termination is contemplated, but if it should occur, the accounts of all participants would be immediately fully vested and paid in accordance with the terms of the Plan.

(2) Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting.

(b) Valuation of Investments

The Plan invests in cash and cash equivalents, which are held by the Trustee outside of the Master Trust. Cash and cash equivalents are a short term investment fund, which is valued at cost, which approximates fair value.

Cash equivalents, derivative financial instruments, stock securities, mutual funds, bonds and notes, and all other debt securities held within the Master Trust are presented at their quoted market value. Common/collective trust funds are stated at the fair market value of the underlying securities. The Master Trust considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Real estate related investments of the Master Trust consist of real estate mortgages and investments in real estate investment trusts (REITs). Real estate mortgages are stated at cost plus accrued interest, less payments received. Investments in REITs are stated at fair value.

The Master Trust's investment in pooled equity managers (the Pooled Fund) represents the unitized values of certain equity managers' accounts on a combined basis. Each manager's account is valued daily. A unit price is calculated for each manager by dividing the total value of the manager's account by the total number of units in existence for that manager. Net income and realized/unrealized investment gains and losses by each manager are passed through to the investment options through the managers' unit price.

BROWN & ROOT, INC.