



VolkerFitzpatrick Limited

Directors' Report and Financial Statements

Registered number 02387700

31 December 2010

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Directors

RA Offord
(Managing Director)

NA Connell
AR Robertson
MG Woods
J Suckling
Volker Wessels UK Limited

Company Secretary

AT Foster

Auditors

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

Registered Office

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Regional Offices

Riverpoint House
London Road
Sevenoaks
Kent
TN13 2DN

Room 1,2 and 7
Furzehall Farm
Wickham Road
Fareham
Hampshire
PO16 7JH

Unit 9
The Courtyard
Glory Park
Wooburn
High Wycombe
Bucks HP10 0DG

Unit 401, Fourth
Floor
Fort Dunlop
Fort Parkway
Birmingham
B24 9FD

Registered Number

02387700

Principal bankers

Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

VolkerFitzpatrick Limited
Directors' Report
for the year ended 31 December 2010

The Directors present their Directors' Report and financial statements for the year ended 31 December 2010.

Principal activities

The principal activities of the Group are building, construction, civil engineering, rail, highways maintenance and related services.

Business review

The financial highlights of the Group are as follows:

	2010	As restated
	£000	2009
		£000
Revenue	397,491	350,831
Gross profit	34,597	41,832
Gross profit margin	9%	12%
Underlying gross profit	34,597	34,989
Underlying gross profit margin	9%	10%
Profit before tax	11,184	18,693
Profit before tax margin	3%	5%
Underlying profit before tax	11,184	11,850
Underlying profit before tax margin	3%	3%
Total assets	132,368	115,541
Net assets	31,119	29,171

The 2009 comparative figures have been restated as during the year the Group reviewed its accounting treatment for joint ventures and concluded that it is more appropriate to account for its unincorporated joint ventures as jointly controlled operations rather than jointly controlled (see note 2.2 for further details).

The underlying gross profit and profit before tax in 2009 is stated before one-off income received from a group company of £6,843,000 in respect of historic contracts; this has not been repeated in 2010.

Following the rebranding and rationalisation that took place in 2009, 2010 was a year of further consolidation for the VolkerFitzpatrick group as Richard Offord was appointed as Managing Director of the Building, Civil Engineering and Rail business units.

Overall revenues increased by 13% in the year with growth in both Building and Civil Engineering whilst the underlying profitability held steady at 3%, demonstrating a good performance in a challenging market.

Notable projects in the year included the East Kent Access project for Kent County Council comprising of an 8km dual carriageway extension and 100m jacked box underpass (in Joint Venture with Hochtief (UK) Construction Ltd), a municipal MBT waste treatment facility in Southwark for Veolia Environmental Services, 150,000 sqft of office accommodation for Staffordshire County Council, a new tram maintenance depot and covered stabling for Blackpool Borough Council, teaching and lecture facilities for Anglian Ruskin University and a 900,000 sqft distribution centre for Prologis with associated fit-out for the end user.

The diversity of the projects that VolkerFitzpatrick undertake combined with the effectiveness that the collaboration of the internal business units provides are a key factor to the continued success of the business.

The focus on quality order book generation and rigorous project delivery allows VolkerFitzpatrick to start 2011 with a strong order book and further opportunities to increase margins despite pricing pressures in the market. The VolkerFitzpatrick order book at the end of the year was £221,500,000 with £210,700,000 revenue already secured for 2011.

VolkerHighways Limited, a subsidiary of VolkerFitzpatrick consolidated the various highways maintenance activities across the UK group in 2009. This has enabled it to develop a more consolidated approach to the market with a lower overhead base, and it too has continued to provide consistent profits through the year. VolkerHighways' five to seven year Term Maintenance contracts provide an underpinning long term workload, and the business is investing in technology to drive greater efficiency and capability in its service provision.

In December, the Company received a £5,750,000 injection of share capital from its parent company as part of a group exercise to strengthen subsidiary balance sheets. This confirms the continuing commitment of the Company's Dutch parent company Royal Volker Wessels Stevin nv to the UK construction, civil engineering and highways maintenance markets. It allows our continued investment in the specialist areas of waste-to-energy and carbon capture markets, and the use of innovative technologies to improve our business performance and service offerings to our clients.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (see note 2.4 for further details).

Principal risks and uncertainties

The Group undertakes a rigorous risk management process on every bid undertaken and on every contract secured. In addition, the Group works very closely with its clients to ensure that a high level of understanding is achieved to ensure contracts are completed in an efficient manner and to the required quality. The principal risks and uncertainties are:

- Health and safety: to ensure the Group has adequate systems in place to mitigate, as far as possible, the risks inherent in the construction process;
- Personnel: the long term success of the Group is dependent on the recruitment, training and retention of the correct personnel. This is essential in order to maintain the Group's ability to perform in highly competitive sectors;
- Tendering: to match clients' expectations to the correct price;
- Construction: to ensure that the appropriate employee skills are available and that suitable quality materials are procured at the correct price;
- Environment: construction has a significant effect on the environment, therefore it is essential that the Group's operational impacts are, as far as possible, positive in this regard;
- Information technology: to ensure the Group has suitable systems in place so that, as far as possible, information flows throughout the Group and that the risk of system loss is mitigated by appropriate contingency plans; and
- Insurance: it is essential that suitable arrangements exist to underpin and support all of the operations and services in which the Group operates.

Corporate Social Responsibility

Socially responsible behaviour is critical to a sustainable development strategy. VolkerFitzpatrick's overall performance is underpinned by integrating this behaviour into the organisation and upholding good corporate governance. The organisational governance of the Corporate Social Responsibility ("CSR") policy however, extends beyond environmental diligence, community involvement, and the health of our workforce, into fair operating practices and the maintenance of effective employee relations, morale and commitment.

We recognise that we have an integral responsibility for all matters of general concern to the society in which we operate and to all of our own, and society's stakeholders. This responsibility is demonstrated through our actions and within our comprehensive suite of corporate policies, processes and procedures supported by Directors and Senior Managers. Our decision making is linked to ethical values, compliance with legal requirements and our respect for people, communities, charities and the environment.

Our primary aim is to be the preferred contractor to our existing clients through delivery of excellence and quality service, and to carefully select new opportunities with clients who we wish to work with who are aligned to our core beliefs and objectives. In our aim to supply quality products and services that exceed the requirements of our customers we will establish an environment that supports the production and delivery of high quality products and services, whilst establishing strong relationships with both customers and suppliers who will contribute to improving the quality of what is sold or purchased.

We are committed to maintaining high standards in regard to the matters of health, safety, welfare, quality and environmental issues. We seek continual improvement through regular reviews, inspections and audit of its activities to develop its various management systems and employees.

We believe that the perception and reality of our CSR performance is fundamental to our success.

Employees

The Group is an equal opportunities employer.

The culture of the Group ensures that staff are trained to very high standards with each individual's technical and development skills continually being reviewed and enhanced. This culture has ensured that the Group has available the management skills to maintain growth underpinned by a robust internal promotion scheme.

The Group's policy is to consult and discuss with employees matters likely to affect employee's interests. The Group also encourages the involvement of employees in the Group's performance in many ways including its remuneration package.

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, whenever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitude and abilities.

Policy and practice on payment of creditors

For all trade creditors, it is the Company and Group policy to:

- Agree and confirm the terms of payment at the commencement of business with that supplier;
- Pay in accordance with contractual and other legal obligations; and
- Continually review the payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining a good working relationship.

VolkerFitzpatrick Limited
Directors' Report
for the year ended 31 December 2010

At the year end trade creditor days for the Group were 70 (2009: 66) and for the Company were 83 (2009: 77).

Dividends

Interim dividends of £5,000,000 and £6,000,000 in respect of the year ended 31 December 2010 were paid on 28 October 2010 and 17 December 2010 respectively. The Directors do not recommend the payment of a final dividend. Dividends paid in 2009 comprise a final dividend in respect of the previous year ended 31 December 2008.

Directors

The Directors who held office during the year and changes since the year end were as follows:

RA Offord	
AR Robertson	
NA Connell	(appointed 11 January 2010)
MG Woods	
J Suckling	(appointed 23 July 2010)
VolkerWessels UK Limited	
D Waller	(resigned 4 May 2010)
JP Niehorster	(resigned 4 May 2010)
DF Murphy	(resigned 4 May 2010)

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year (2009: £nil).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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

By order of the Board

AT Foster

Company Secretary
20 April 2011
VolkerFitzpatrick Limited
Company registered number: 02387700

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerFitzpatrick Limited
Statement of Directors' Responsibilities in respect of the Directors' Report and
Financial Statements
for the year ended 31 December 2010

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU 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 group and parent company and of their profit or loss for that period.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of VolkerFitzpatrick Limited

Year ended 31 December 2010

We have audited the financial statements of VolkerFitzpatrick Limited for the year ended 31 December 2010 set out on pages 9 to 56. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

Independent Auditors' Report to the Members of VolkerFitzpatrick Limited
Year ended 31 December 2010

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

Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

20 APRIL 2011

VolkerFitzpatrick Limited
Consolidated Income Statement
for the year ended 31 December 2010

	<i>Note</i>	2010 £000	As restated 2009 £000
Revenue	3	397,491	350,831
Cost of sales		<u>(362,894)</u>	<u>(308,999)</u>
Gross profit		34,597	41,832
Administrative expenses		(24,064)	(22,954)
Other operating expenses	4	(21)	-
Other operating income	5	<u>584</u>	<u>57</u>
Operating profit	6	11,096	18,935
Financial income	9	643	485
Financial expenses	10	<u>(555)</u>	<u>(727)</u>
Profit before tax		11,184	18,693
Taxation	11	<u>(3,473)</u>	<u>(5,285)</u>
Profit for the year		<u>7,711</u>	<u>13,408</u>
Profit attributable to equity holders of the parent company		<u>7,711</u>	<u>13,408</u>

All results derive from continuing operations.

The profit for the Parent Company for the year was £7,748,000 (2009 – as restated: £11,302,000).

The notes on pages 17 to 56 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010

	<i>Note</i>	2010 £000	2009 £000
Profit for the year		<u>7,711</u>	<u>13,408</u>
Other comprehensive income			
Actuarial losses on defined benefit pension plans	21	(689)	(674)
Tax recognised on actuarial losses		<u>176</u>	<u>189</u>
Other comprehensive expense for the year, net of income tax		(513)	(485)
Total comprehensive income for the year		<u><u>7,198</u></u>	<u><u>12,923</u></u>
Profit attributable to equity holders of the parent company		<u><u>7,198</u></u>	<u><u>12,923</u></u>

The notes on pages 17 to 56 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
at 31 December 2010

	Note	2010 £000	As restated 2009 £000
Non current assets			
Property, plant and equipment	12	10,516	11,656
Intangible assets	13	1,072	474
Trade and other receivables	17	2,099	1,985
Deferred tax assets	15	314	64
Employee benefits	21	1,435	1,603
		15,436	15,782
Current assets			
Inventories	16	772	1,507
Trade and other receivables	17	81,290	72,360
Cash and cash equivalents	18	34,870	25,892
		116,932	99,759
Total assets		132,368	115,541
Equity attributable to equity holders of the parent			
Share capital	22	6,000	250
Retained earnings		25,119	28,921
Total equity		31,119	29,171
Non current liabilities			
Loans and borrowings	19	1,754	3
Trade and other payables	20	545	553
Deferred tax liabilities	15	387	523
		2,686	1,079
Current liabilities			
Loans and borrowings	19	3,511	45
Trade and other payables	20	91,704	80,041
Tax payable		3,348	5,205
		98,563	85,291
Total liabilities		101,249	86,370
Total equity and liabilities		132,368	115,541

These financial statements were approved by the Board of Directors on **20** April 2011 and were signed on its behalf by:

RA Offord
Director

Company registered number: 02387700

The notes on pages 17 to 56 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Statement of Financial Position
at 31 December 2010

	<i>Note</i>	2010	As restated 2009
		£000	£000
Non current assets			
Property, plant and equipment	12	9,720	9,137
Intangible assets	13	643	71
Investments	14	7,178	5,141
Trade and other receivables	17	1,691	1,986
Deferred tax assets	15	58	60
Employee benefits	21	1,183	1,370
		20,473	17,765
Current assets			
Inventories	16	-	350
Trade and other receivables	17	61,294	50,745
Cash and cash equivalents	18	25,991	23,320
		87,285	74,415
Total assets		107,758	92,180
Equity attributable to equity holders of the company			
Share capital	22	6,000	250
Retained earnings		22,374	26,102
Total equity		28,374	26,352
Non current liabilities			
Trade and other payables	20	545	553
Deferred tax liabilities	15	319	594
		864	1,147
Current liabilities			
Trade and other payables	20	76,739	60,488
Tax payable		1,781	4,193
		78,520	64,681
Total liabilities		79,384	65,828
Total equity and liabilities		107,758	92,180

These financial statements were approved by the Board of Directors on 20 April 2011 and were signed on its behalf by:

RA Offord
Director

Company registered number: 02387700

The notes on pages 17 to 56 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Changes in Equity
at 31 December 2010

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2009	250	24,152	24,402
Comprehensive income			
Profit for year	-	13,408	13,408
Other comprehensive income			
Actuarial losses on defined benefit pension plans, net of tax	-	(485)	(485)
Transactions with owners			
Dividends relating to 2008	-	(8,154)	(8,154)
Balance at 31 December 2009	250	28,921	29,171
Balance at 1 January 2010	250	28,921	29,171
Comprehensive income			
Profit for year	-	7,711	7,711
Other comprehensive income			
Actuarial losses on defined benefit pension plans, net of tax	-	(513)	(513)
Transactions with owners			
Proceeds from shares issued	5,750	-	5,750
Dividends relating to 2010	-	(11,000)	(11,000)
Balance at 31 December 2010	6,000	25,119	31,119

The notes on pages 17 to 56 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Statement of Changes in Equity
at 31 December 2010

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2009	250	23,129	23,379
Comprehensive income			
Profit for year – as restated	-	11,302	11,302
Other comprehensive income			
Actuarial losses on defined benefit pension plans, net of tax	-	(175)	(175)
Transactions with owners			
Dividends relating to 2008	-	(8,154)	(8,154)
Balance at 31 December 2009 – as restated	250	26,102	26,352
Balance at 1 January 2010	250	26,102	26,352
Comprehensive income			
Profit for year	-	7,748	7,748
Other comprehensive income			
Actuarial losses on defined benefit pension plans, net of tax	-	(476)	(476)
Transactions with owners			
Proceeds from shares issued	5,750	-	5,750
Dividends relating to 2010	-	(11,000)	(11,000)
Balance at 31 December 2010	6,000	22,374	28,374

The notes on pages 17 to 56 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2010

		2010	As restated 2009
	Note	£000	£000
Cash flows from operating activities	25	16,028	20,655
Interest paid		(36)	(96)
Tax paid		(5,540)	(5,318)
Net cash from operating activities		10,452	15,241
Cash flows from investing activities			
Acquisition of business		-	4,008
Proceeds from sale of plant, property and equipment		225	372
Interest received		118	91
Acquisition of plant, property and equipment		(930)	(821)
Acquisition of intangibles		(824)	-
Net cash from investing activities		(1,411)	3,650
Cash flows from financing activities			
Repayment of finance lease liabilities		(45)	(43)
Increase in group indebtedness		5,262	-
Proceeds from issuance of ordinary shares		5,750	-
Dividends paid to Company's shareholders		(11,000)	(8,154)
Net cash from financing activities		(33)	(8,197)
Net increase in cash and cash equivalents		9,008	10,694
Cash and cash equivalents at 1 January		25,892	15,403
Effect of exchange rate fluctuations on cash held		(30)	(205)
Cash and cash equivalents at 31 December	18	34,870	25,892

The notes on pages 17 to 56 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2010

		2010	As restated 2009
	Note	£000	£000
Cash flows from operating activities	25	13,615	22,038
Interest paid		(33)	(8)
Tax paid		(4,587)	(4,909)
Net cash from operating activities		8,995	17,121
Cash flows from investing activities			
Dividends received		3,671	-
Proceeds from sale of property, plant and equipment		195	342
Interest received		87	52
Acquisition of property, plant and equipment		(2,162)	(676)
Acquisition of intangibles		(798)	-
Net cash from investing activities		993	(282)
Cash flows from financing activities			
Dividends paid to Company's shareholders		(11,000)	(8,154)
Purchase of subsidiary ordinary shares		(2,037)	-
Proceeds from issuance of ordinary shares		5,750	-
Net cash from financing activities		(7,287)	(8,154)
Net increase in cash and cash equivalents		2,701	8,685
Cash and cash equivalents at 1 January		23,320	14,840
Effect of exchange rate fluctuations on cash held		(30)	(205)
Cash and cash equivalents at 31 December	18	25,991	23,320

The notes on pages 17 to 56 form an integral part of the consolidated financial statements.

1. General information

The Company is incorporated and domiciled in the UK.

2. Accounting policies

2.1. Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Parent Company financial statements here together with the Group financial statements the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial.

2.2. Change in accounting policy

During the year the Group reviewed its accounting treatment for joint ventures and concluded that it is more appropriate to account for its unincorporated joint ventures as jointly controlled operations ("JCOs") rather than jointly controlled entities ("JCEs").

The Directors consider this change in the classification of unincorporated joint venture to be a change in accounting policy under IAS8. IAS8 states that an entity shall change its accounting policy if the change results in the financial statement providing relevant and more reliable information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

The 2009 balances for Group and Company have been restated to reflect the change accounting policy. For the Group, revenue has increased £1,126,000 to £350,831,000, total assets have increased by £709,000 to £115,541,000 and total liabilities have increased by £709,000 to £86,370,000. There is no net effect on the profit after tax or total equity as a result of this change. For the Company, total assets have increased by £709,000 to £92,180,000 and total liabilities have increased by £709,000 to £65,828,000, equity has increased by £35,000 to £26,352,000.

2.3. Measurement convention

The financial statements are prepared on the historical cost basis.

2.4. 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 Business Review section of the Directors' Report on pages 2 and 3. In addition, note 24 to the financial statements includes the Group objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

2. Accounting policies (continued)

2.4. Going concern (continued)

The Company meets its day-to-day working capital requirements through rolling credit and stand by facilities provided in equal measure to the Volker Wessels UK Limited Group by VolkerWessels Stevin Financial Services bv and Royal Bank of Scotland plc (see note 27).

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.5. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2.6. Jointly controlled operations

As explained in note 2.2, the Group has entered into a number of Jointly Controlled Operations (JCOs) with different partners for the purposes of undertaking specific contracts. Interests in JCOs are accounted for by recognising the Group's share of income and expenses and assets and liabilities measured according to the terms of the arrangements.

2.7. Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency (pound sterling) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2.8. Property, plant and equipment

Property, plant and equipment ("PPE") are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of PPE have different useful lives, they are accounted for as separate items of PPE. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of PPE. Land is not depreciated. The estimated useful lives are as follows:

Buildings:	17-25 years
Motor vehicles:	4-6 years
Plant and machinery:	6 years
Furniture, fitting and office equipment:	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2. Accounting policies (continued)

2.9. Intangible assets and goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses. Other intangible assets held in the course of construction are not amortised until the assets are available for use and are tested annually for impairment and carried at cost less accumulated impairment losses.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software:	3-5 years
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2.10. Operating and finance leases

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and accumulated impairment losses. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

2.11. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pensions plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods: that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximate to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method

2. Accounting policies (continued)

2.12. Construction contract debtors

Construction contract debtors represent the gross unbilled income for contract work performed to date. They are measured at cost plus profit recognised to date (see revenue accounting policy) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet. Claims derived from variations on contracts are not recognised until the outcome of the particular claim is certain, except in exceptional circumstances where the principles of the claim have been agreed with the client and the Directors have made a considered assessment of the final outcome.

2.13. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Cost is determined using the weighted average cost method.

2.14. Impairment excluding inventories, investment properties and deferred tax assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; a financial asset is considered to be impaired if objective evidence exists that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of any asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

2. Accounting policies (continued)

2.14. Impairment excluding inventories, investment properties and deferred tax assets (continued)

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15. Financial Instruments

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- a. They include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- b. Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2. Accounting policies (continued)

2.16. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Investments in jointly controlled entities and subsidiaries are carried at cost in the Parent Company accounts.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2.17. Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested, dividend income and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2.18. Provisions

A provision is recognised on the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2.19. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. Accounting policies (continued)

2.19. Taxation (continued)

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.20. Revenue

Revenue represents the value of work done in the year and includes work that has in whole or part been subcontracted out. All amounts are exclusive of value added tax.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Contract revenue is recognised in profit or loss in proportion to the state of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Service contract revenues

Revenue from service contracts rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

2.21. Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

3. Revenue

Revenues are comprised as follows:

	2010	As restated
	£000	2009
	£000	£000
Construction contract revenues	278,713	242,163
Service contract revenues	118,778	108,668
Total revenues	397,491	350,831

Substantially all revenue relates to sales made in the United Kingdom.

4. Other operating expense

	2010	2009
	£000	£000
Loss on disposal of property, plant and equipment	21	-

5. Other operating income

	2010	2009
	£000	£000
Gain on disposal of property, plant and equipment	-	43
Gain on disposal of leasehold property	584	-
Other	-	14
	584	57

On 22 July 2010 a Group subsidiary signed an unconditional agreement to sell the remaining lease term on a leasehold property to a third party for £650,000; the transaction completed in March 2011. As at 31 December 2010 the property had been vacated and all the risks and rewards of the site had passed to the third party, including rent, rates and insurance. Accordingly a gain of £584,000 has been recognised.

6. Operating profit

Operating profit is stated after charging:

	2010	2009
	£000	£000
<i>Depreciation of plant, property and equipment</i>		
- owned assets	1,771	1,967
- leased assets	-	31
Amortisation of intangible assets	279	93
<i>Operating lease charges</i>		
- plant and machinery	68	100
- other	1,269	1,164
<i>Auditors' remuneration</i>		
- audit of these financial statements	120	148
- audit of financial statements of subsidiaries pursuant to legislation	40	21
- other services	1	-

7. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	2010	2009
	No	No
Management & administrative	208	271
Operational	945	747
	1,153	1,018

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	50,124	47,408
Social security costs	4,586	3,412
Contributions to defined contribution plans	2,211	2,118
Expense/(income) related to defined benefit plans	10	(13)
	56,931	52,925

8. Directors' remuneration

	2010	2009
	£000	£000
Directors' emoluments	1,528	1,662
Compensation for loss of office	63	-
Company contributions to money purchase pension plans	171	140

The emoluments of the highest paid Director was £428,000 (2009: £346,000) and company pension contributions of £63,000 (2009: £60,000) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of directors under:

	2010	2009
	No	No
Money purchase schemes	4	6

9. Financial income

	2010	2009
	£000	£000
Interest income on short-term bank deposits	118	70
Expected return on defined benefit pension plan assets	525	413
Other interest	-	2
Total financial income	643	485

10. Financial expense

	2010	2009
	£000	£000
Interest on defined benefit plan obligations	489	455
Interest on borrowings	-	7
Charges payable in respect of finance leases	3	24
Net foreign exchange loss	63	205
Other interest	-	36
Total financial expense	555	727

11. Taxation

a) Analysis of the tax recognised in the income statement

	2010	2009
	£000	£000
<i>Current tax expense</i>		
UK corporation tax:		
Current year	3,639	5,169
Adjustments for prior years	(38)	(139)
Foreign tax:		
Current year	82	36
Adjustments for prior years	-	110
Current tax expense	3,683	5,176
<i>Deferred tax (income)/expense (see note 15)</i>		
Origination and reversal of temporary differences	(340)	(10)
On defined benefit pension schemes	114	156
Adjustments for prior years	16	(37)
Deferred tax (income)/expense	(210)	109
Total tax expense	3,473	5,285

11. Taxation (continued)

b) Reconciliation of effective tax rate

	2010	2009
	£000	£000
Profit for the year	7,711	13,408
Total tax expense	3,473	5,285
Profit excluding taxation	11,184	18,693
 Tax using the UK corporation tax rate of 28% (2009: 28%)	 3,132	 5,234
<i>Effects of:</i>		
Non deductible expenses	236	139
Adjustment in respect of foreign tax	71	-
Deferred tax on non-qualifying capital expenditure	66	-
Other	-	(22)
Effect of change in tax rate	(10)	-
Under provided in prior years	(22)	(66)
 Total tax expense	 3,473	 5,285

c) Tax recognised directly in equity

	2010	2009
	£000	£000
 Deferred tax credit recognised directly in equity	 176	 189

Factors that may affect future current and total tax charges.

On 20 July 2010, a reduction in the standard rate of corporation tax rate to 27% was substantially enacted and will be effective from April 2011, see note 15 for further details.

12. Property, plant and equipment

Group	Land and buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2009	7,051	10,547	1,226	18,824
Additions	-	720	101	821
Transfer to fellow group undertaking	-	(4,014)	(251)	(4,265)
Acquisition through business combinations	-	8,526	489	9,015
Disposals	(4)	(1,867)	(154)	(2,025)
At 31 December 2009	<u>7,047</u>	<u>13,912</u>	<u>1,411</u>	<u>22,370</u>
At 1 January 2010	7,047	13,912	1,411	22,370
Additions	-	617	211	828
Transfer from fellow group undertaking	-	170	299	469
Transfer to intangible assets	-	-	(172)	(172)
Disposals	-	(2,178)	(998)	(3,176)
At 31 December 2010	<u>7,047</u>	<u>12,521</u>	<u>751</u>	<u>20,319</u>
Depreciation and impairment				
At 1 January 2009	267	6,145	663	7,075
Charge for the year	267	1,481	250	1,998
Transfer to fellow group undertaking	-	(2,430)	(246)	(2,676)
Acquisition through business combinations	-	5,553	460	6,013
Disposals	-	(1,542)	(154)	(1,696)
At 31 December 2009	<u>534</u>	<u>9,207</u>	<u>973</u>	<u>10,714</u>
At 1 January 2010	534	9,207	973	10,714
Charge for the year	266	1,284	221	1,771
Transfer from fellow group undertaking	-	100	267	367
Transfer to intangible assets	-	-	(119)	(119)
Disposals	-	(2,125)	(805)	(2,930)
At 31 December 2010	<u>800</u>	<u>8,466</u>	<u>537</u>	<u>9,803</u>
Net book value				
At 31 December 2010	<u>6,247</u>	<u>4,055</u>	<u>214</u>	<u>10,516</u>
At 31 December 2009	<u>6,513</u>	<u>4,705</u>	<u>438</u>	<u>11,656</u>
At 1 January 2009	<u>6,784</u>	<u>4,402</u>	<u>563</u>	<u>11,749</u>

At 31 December 2010, the net carrying amount of leased plant and machinery was £nil (2009: £74,000). The leased equipment secured lease obligations (see note 19).

12. Plant, property and equipment (continued)

Company	Land and buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2009	7,051	9,919	974	17,944
Additions	-	579	97	676
Transfer to fellow group undertaking	-	(3,400)	-	(3,400)
Disposals	(4)	(1,050)	(61)	(1,115)
At 31 December 2009	<u>7,047</u>	<u>6,048</u>	<u>1,010</u>	<u>14,105</u>
At 1 January 2010	7,047	6,048	1,010	14,105
Additions	-	349	187	536
Transfer from fellow group undertaking	-	4,671	639	5,310
Transfer to intangible assets	-	-	(172)	(172)
Disposals	-	(600)	(943)	(1,543)
At 31 December 2010	<u>7,047</u>	<u>10,468</u>	<u>721</u>	<u>18,236</u>
Depreciation and impairment				
At 1 January 2009	267	5,567	418	6,252
Charge for the year	267	876	234	1,377
Transfer to fellow group undertaking	-	(1,845)	-	(1,845)
Disposals	-	(755)	(61)	(816)
At 31 December 2009	<u>534</u>	<u>3,843</u>	<u>591</u>	<u>4,968</u>
At 1 January 2010	534	3,843	591	4,968
Charge for the year	266	864	201	1,331
Transfer from fellow group undertaking	-	3,077	607	3,684
Transfer to intangible assets	-	-	(119)	(119)
Disposals	-	(599)	(749)	(1,348)
At 31 December 2009	<u>800</u>	<u>7,185</u>	<u>531</u>	<u>8,516</u>
Net book value				
At 31 December 2010	<u>6,247</u>	<u>3,283</u>	<u>190</u>	<u>9,720</u>
At 31 December 2009	<u>6,513</u>	<u>2,205</u>	<u>419</u>	<u>9,137</u>
At 1 January 2009	<u>6,784</u>	<u>4,352</u>	<u>556</u>	<u>11,692</u>

13. Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
Balance at 1 January and 31 December 2009	403	280	683
Balance at 1 January 2010	403	280	683
Additions	-	824	824
Assets transferred from PPE	-	172	172
Balance at 31 December 2010	403	1,276	1,679
Amortisation and impairment			
Balance at 1 January 2009	-	116	116
Amortisation for the year	-	93	93
Balance at 31 December 2009	-	209	209
Balance at 1 January 2010	-	209	209
Assets transferred from PPE	-	119	119
Amortisation for the year	-	279	279
Balance at 31 December 2010	-	607	607
Net book value			
At 31 December 2010	403	669	1,072
At 31 December 2009	403	71	474
At 1 January 2009	403	164	567

Included within software are £220,000 of assets in the course of construction. These assets have not been amortised. Amortisation will commence once the assets are available for use.

Goodwill is allocated to the Group's cash generating units ("CGUs") which have been identified on a sub-group basis. A summary of the carrying value presented by CGU as at 31 December 2010 and 31 December 2009 is shown below:

	2010 £000	2009 £000
VolkerHighways	403	403

Amortisation charge

The amortisation charge is recognised in the following line items in the income statement:

	2010 £000	2009 £000
Administrative expenses	279	93

13. Intangible assets (continued)

Impairment testing

The recoverable amount for each cash generating unit has been consistently calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	<u>2010</u>	<u>2009</u>
Period on which management approved forecasts are based	3 years	3 years
Growth rate applied beyond approved forecast period	5%	5%
Discount rate	8%	8%

Company	Software
	£000
Cost	
Balance at 1 January and 31 December 2009	280
Balance at 1 January 2010	280
Assets transferred from PPE	172
Additions	798
Balance at 31 December 2010	<u>1,250</u>
Amortisation and impairment	
Balance at 1 January 2009	116
Amortisation for the year	93
Balance at 31 December 2009	<u>209</u>
Balance at 1 January 2010	209
Assets transferred from PPE	119
Amortisation for the year	279
Balance at 31 December 2010	<u>607</u>
Net book value	
At 31 December 2010	<u><u>643</u></u>
At 31 December 2009	<u><u>71</u></u>
At 1 January 2009	<u><u>164</u></u>

Included within software are £220,000 of assets in the course of construction, these assets have not been amortised, amortisation will commence once the assets are available for use.

14. Investments – as restated

Company	Shares in group undertakings £000
Cost	
At 1 January 2009	1,525
Additions	3,616
At 31 December 2009	5,141
At 1 January 2010	5,141
Additions	2,037
At 31 December 2010	7,178

During the year the Company increased its investment in VolkerHighways Limited by acquiring 2,037,500 £1 ordinary shares at par, with consideration being settled in cash.

The Group and Company have the following investments in subsidiaries and jointly controlled operations:

	Principle activities	Class of shares held	Ownership %	
			2010	2009
Subsidiary undertakings				
VolkerHighways Limited*	Maintenance	Ordinary	100%	100%
VolkerHighways Mews Limited*	Non-trading	Ordinary	100%	100%
<i>* directly held by the Company</i>				

* directly held by the Company

		Principle activities	JCO partner	Address	Company Share %	
					2010	2009
Jointly controlled operations						
Fitzpatrick Lafarge		Construction	Lafarge Aggregates Limited	1 & 2	70%	70%
Fitzpatrick Hochtief		Construction	Hochtief (UK) Construction Limited	1 & 3	50%	50%
1	Hertford Road Hoddesdon Hertfordshire EN11 9BX		2 Epsilon Windmill Hill Business Park Whitehill Way Swindon Wiltshire SN5 6NX		3 Granite House Granite Way Syston Leicester Leicestershire LE7 1PL	

All subsidiary undertakings and jointly controlled operations' partners are incorporated in England and Wales.

14. Investments – as restated (continued)

Prior year adjustment

As explained in note 2.2, during the year the Group reviewed its accounting treatment for joint ventures and concluded that it is more relevant to account for its unincorporated joint ventures as jointly controlled operations (“JCOs”) rather than jointly controlled entities (“JCEs”).

The Directors consider this change in the classification of unincorporated joint venture to be a change in accounting policy under IAS8. IAS8 states that an entity shall change its accounting policy if the change results in the financial statement providing relevant and more reliable information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

As a result of the change in accounting policy the Group's investment in equity-accounted investees in 2009 has reduced by £35,000 to £nil.

15. Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities	
	2010	2009	2010	2009
	£000	£000	£000	£000
Property, plant and equipment	241	-	-	(74)
Employee benefits	-	-	(387)	(449)
Provisions	73	64	-	-
Tax assets/(liabilities)	314	64	(387)	(523)

Company	Assets		Liabilities	
	2010	2009	2010	2009
	£000	£000	£000	£000
Property, plant and equipment	7	-	-	(210)
Employee benefits	-	-	(319)	(384)
Provisions	51	60	-	-
Tax assets/(liabilities)	58	60	(319)	(594)

b) Movement in deferred tax in the year

Group	1 January 2010	Recognised in income	Recognised in equity	31 December 2010
	£000	£000	£000	£000
Property, plant and equipment	(74)	315	-	241
Employee benefits	(449)	(114)	176	(387)
Provisions	64	9	-	73
	(459)	210	176	(73)

15. Deferred tax assets and liabilities (continued)

Company	1 January 2010 £000	Recognised in income £000	Recognised in equity £000	31 December 2010 £000
Property, plant and equipment	(210)	217	-	7
Employee benefits	(384)	(104)	169	(319)
Provisions	60	(9)	-	51
	(534)	104	169	(261)

c) Movement in deferred tax in the prior year

Group	1 January 2009 £000	Recognised in income £000	Recognised in equity £000	Acquisitions and transfers £000	31 December 2009 £000
Property, plant and equipment	(192)	15	-	103	(74)
Employee benefits	(338)	(156)	189	(144)	(449)
Provisions	41	32	-	(9)	64
	(489)	(109)	189	(50)	(459)

Company	1 January 2009 £000	Recognised in income £000	Recognised in equity £000	Acquisitions and transfers £000	31 December 2009 £000
Property, plant and equipment	(208)	(45)	-	43	(210)
Employee benefits	(338)	(114)	68	-	(384)
Provisions	39	21	-	-	60
	(507)	(138)	68	43	(534)

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011. This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2010 has been included in the figures above.

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the net deferred tax liability of approximately £2,700 and £9,700 for the Group and Company respectively. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 27% to 23%, if these applied to the deferred tax balance at 31 December 2010, would be to further reduce the net deferred tax liability by approximately £10,800 and £38,800 for the Group and Company respectively.

16. Inventories

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Raw materials and consumables	772	1,507	-	350

Raw materials and consumables recognised as cost of sales in the year amounted to £55,787,000 (2009: £42,775,000).

The write down of inventories to net realisable value amounted to £nil (2009: £47,000). The 2009 write down occurred because the wholesale price of steel reduced in the year. The write down is included in cost of sales.

17. Trade and other receivables

	Group		Company	
	2010	As restated 2009	2010	As restated 2009
	£000	£000	£000	£000
Trade receivables	25,908	21,008	11,776	8,377
Construction contract debtors	54,824	49,318	49,430	38,622
Amounts owed by group undertakings	862	1,797	842	4,276
Prepayments	1,211	2,116	937	1,350
Other receivables	584	106	-	106
	83,389	74,345	62,985	52,731
Current	81,290	72,360	61,294	50,745
Non current	2,099	1,985	1,691	1,986
	83,389	74,345	62,985	52,731

Included within construction contract work debtors is £2,099,000 (2009: £1,985,000) for the Group and £1,691,000 (2009: £1,986,000) for the Company expected to be recovered in over 12 months.

At 31 December 2010, aggregated costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £476,532,232 (2009: £449,605,000).

At 31 December 2010, trade receivables include retentions of £nil (2009: £12,000) relating to construction contracts in progress.

18. Cash and cash equivalents

	Group		Company	
	2010	As restated 2009	2010	As restated 2009
	£000	£000	£000	£000
Cash and cash equivalents	34,870	25,892	25,991	23,320

19. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest bearing loans and borrowings which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 24.

Group	2010 £000	2009 £000
Finance lease liabilities	3	48
Loans from fellow group undertakings	5,262	-
	5,265	48
Current	3,511	45
Non current	1,754	3
	5,265	48

The terms and repayment schedule of these interest bearing loans and borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2010 £000	Carrying amount 2009 £000
Finance lease liabilities	GBP	12%	2011	3	48
Loans from fellow undertakings	GBP	Base rate + 0.8%	2013	5,262	-
				5,265	48

The face value and carrying value of the borrowings are the same in each case.

The base rate of the basic rate in interest set monthly by the bank of England.

20. Trade and other payables

	Group		Company	
	2010	As restated 2009	2010	As restated 2009
	£000	£000	£000	£000
Trade payables	69,656	55,661	55,757	51,517
Amounts owed to group undertakings	214	5,745	214	4,195
Amount due to customers for contract work	1,143	1,615	1,143	1,615
Non trade payables and accrued expenses	7,784	17,573	6,718	3,714
Other payables	13,452	-	13,452	-
	92,249	80,594	77,284	61,041
Current	91,704	80,041	76,739	60,488
Non current	545	553	545	553
	92,249	80,594	77,284	61,041

Included within trade payables is £545,000 (2009: £553,000) for the Group and Company expected to be settled in over 12 months.

21. Employee benefits

a) Defined benefit plans

The Group operates three defined benefit pension plans. A summary of these plans is as follows:

Group	Gabriel Contractors Limited Defined Benefit Scheme £000	Fitzpatrick Pension Scheme £000	Fitzpatrick Greenwich Pension Scheme £000	Total £000
2010				
Fair value of plan assets	2,799	6,334	1,667	10,800
Present value of funded defined benefit obligations	(2,547)	(5,726)	(1,092)	(9,365)
Surplus in schemes	252	608	575	1,435
2009				
Fair value of plan assets	2,697	5,924	1,891	10,512
Present value of funded defined benefit obligations	(2,464)	(5,116)	(1,329)	(8,909)
Surplus in schemes	233	808	562	1,603

21. Employee benefits (continued)

Movements in present value of defined benefit obligations:

Group	2010	2009
	£000	£000
At 1 January	(8,909)	(7,184)
Current service cost	(10)	(15)
Interest cost	(489)	(455)
Actuarial losses	(658)	(1,515)
Contributions by members	(2)	(9)
Benefits paid	703	232
Curtailments	-	37
At 31 December	<u>(9,365)</u>	<u>(8,909)</u>

Movements in fair value of plan assets:

Group	2010	2009
	£000	£000
At 1 January	10,512	8,904
Expected return on plan assets	525	413
Actuarial (losses)/gains	(31)	841
Contributions by employer	495	586
Contributions by members	2	9
Benefits paid	(703)	(232)
Policy charges	-	(9)
At 31 December	<u>10,800</u>	<u>10,512</u>

The income/(expense) recognised in the income statement:

Group	2010	2009
	£000	£000
Current service cost	(10)	(15)
Interest on defined benefit pension plan obligation	(489)	(455)
Expected return on defined benefit pension plan assets	525	413
Curtailment	-	37
Policy charges	-	(9)
	<u>26</u>	<u>(29)</u>

21. Employee benefits (continued)

The (expense)/income is recognised in the following line items in the income statement:

Group	2010	2009
	£000	£000
Administrative expenses	(10)	13
Finance income	525	413
Finance expense	(489)	(455)
	<u>26</u>	<u>(29)</u>

Actuarial gains and losses recognised directly in equity in the statement of comprehensive income are as follows:

Group	2010	2009
	£000	£000
Cumulative amount at 1 January	(1,010)	(336)
Recognised in the year	(689)	(674)
Cumulative amount at 31 December	<u>(1,699)</u>	<u>(1,010)</u>

The fair value of the plan assets and the return on those assets were as follows:

Group	2010	2009
	£000	£000
Equities	4,740	5,037
Bonds	5,458	1,219
Property	-	163
Other	602	4,093
	<u>10,800</u>	<u>10,512</u>
Actual return on plan assets	<u>494</u>	<u>1,254</u>

None of the assets shown above include any of the Group's own financial instruments or any property occupied, or other assets used by, the Group.

21. Employee benefits (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

Group	2010	2009
	%	%
Discount rate	5.5	5.7
Salary increase	3.5	3.4
Inflation	3.5	3.4
Expected return on plan assets	5.6	4.6
Allowance for pension in payment increases of RPI or 5% if less	3.4	3.4
Allowance for revaluation of deferred pensions of RPI or 5% if less	3.5	3.4

In the assumption for 'pensions in payment' and 'deferred pensions' increases are set at the lower of the Retail Price Index (RPI) or 5% if less. In February 2011 the Government published the statutory revaluation order for 2011, which indicated a change to the pensions inflation index from RPI to CPI (Consumer Price Index) may be appropriate to certain schemes. The current valuation does not take into account any impact of this change as the Group is currently evaluating the situation in consultation with the scheme's actuaries and trustees, this assumption may change in future years.

In valuing the liabilities of the pension fund at 31 December 2010, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2010 would have increased by £160,000 before deferred tax (2009: £204,000).

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Group	Male	Female
	Years	Years
Current pensioner aged 65	21.0	23.6
Future retiree upon reaching 65 in 20 years	22.9	25.5

22. Employee benefits (continued)

History of plans

The history of the plans for the current and prior periods is as follows:

Group	2010	2009	2008	2007	2006
<i>Balance Sheet</i>	£000	£000	£000	£000	£000
Fair value of plan assets	10,800	10,512	8,904	9,790	10,248
Present value of the defined benefit obligation	(9,365)	(8,909)	(7,184)	(8,326)	(10,744)
Surplus/(deficit)	1,435	1,603	1,720	1,464	(496)
<i>Experience Adjustments</i>	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Experience adjustments on plan liabilities	(166)	(616)	367	707	307
Experience adjustments on plan assets	(31)	841	(1,577)	48	197
	(197)	225	(1,210)	755	504

The Group expects to contribute approximately £485,000 (2009: £475,000) to these defined benefit plans in the next financial year.

The Company operates two defined benefit pension plans. A summary of these plans is as follows:

Company	Fitzpatrick Pension Scheme	Fitzpatrick Greenwich Pension Scheme	Total
	£000	£000	£000
2010			
Fair value of plan assets	6,334	1,667	8,001
Present value of funded defined benefit obligations	(5,726)	(1,092)	(6,818)
Surplus in schemes	608	575	1,183
2009			
Fair value of plan assets	5,924	1,891	7,815
Present value of funded defined benefit obligations	(5,116)	(1,329)	(6,445)
Surplus in schemes	808	562	1,370

21. Employee benefits (continued)

Movements in present value of defined benefit obligations:

Company	2010	2009
	£000	£000
At 1 January	(6,445)	(5,387)
Current service cost	(9)	(15)
Interest cost	(350)	(339)
Actuarial losses	(659)	(930)
Contributions by members	(2)	(9)
Benefits paid	647	198
Curtailments	-	37
At 31 December	(6,818)	(6,445)

Movements in fair value of plan assets:

Company	2010	2009
	£000	£000
At 1 January	7,815	6,595
Expected return on plan assets	387	266
Actuarial gains	14	686
Contributions by employer	430	466
Contributions by members	2	9
Benefits paid	(647)	(198)
Policy charges	-	(9)
At 31 December	8,001	7,815

The income/(expense) recognised in the income statement:

Company	2010	2009
	£000	£000
Current service cost	(10)	(15)
Interest on defined benefit pension plan obligation	(350)	(339)
Expected return on defined benefit pension plan assets	387	266
Curtailment	-	37
Policy charges	-	(9)
	27	(60)

21. Employee benefits (continued)

Actuarial gains and losses recognised directly in equity in the statement of comprehensive income are as follows:

Company	2010	2009
	£000	£000
Cumulative amount at 1 January	(473)	(229)
Recognised in the year	(645)	(244)
Cumulative amount at 31 December	<u>(1,118)</u>	<u>(473)</u>

The fair value of the plan assets and the return on those assets were as follows:

Company	2010	2009
	£000	£000
Equities	3,949	3,254
Bonds	3,469	1,015
Property	-	163
Other	583	3,383
	<u>8,001</u>	<u>7,815</u>
Actual return on plan assets	<u>401</u>	<u>952</u>

None of the assets shown above include any of the Company's own financial instruments or any property occupied, or other assets used by, the Company.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

Company	2010	2009
	%	%
Discount rate	5.5	5.7
Salary increase	3.5	3.4
Inflation	3.5	3.4
Expected return on plan assets	5.6	4.6
Allowance for pension in payment increases of RPI or 5% if less	3.4	3.4
Allowance for revaluation of deferred pensions of RPI or 5% if less	3.5	3.4

In the assumption for 'pensions in payment' and 'deferred pensions' increases are set at the lower of the Retail Price Index (RPI) or 5% if less. In February 2011 the Government published the statutory revaluation order for 2011, which indicated a change to the pensions inflation index from RPI to CPI (Consumer Price Index) may be appropriate to certain schemes. The current valuation does not take into account any impact of this change as the Company is currently evaluating the situation in consultation with the scheme's actuaries and trustees, this assumption may change in future years.

21. Employee benefits (continued)

In valuing the liabilities of the pension fund at 31 December 2010, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2010 would have increased by £100,000 before deferred tax (2009: £130,000).

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Company	Male Years	Female Years
Current pensioner aged 65	21.0	23.6
Future retiree upon reaching 65 in 20 years	22.9	25.5

History of plans

The history of the plans for the current and prior periods is as follows:

Company	2010	2009	2008	2007	2006
<i>Balance Sheet</i>	£000	£000	£000	£000	£000
Fair value of plan assets	8,001	7,815	6,595	7,121	6,391
Present value of the defined benefit obligation	(6,818)	(6,445)	(5,387)	(6,152)	(6,789)
Surplus/(deficit)	1,183	1,370	1,208	969	(398)
	2010	2009	2008	2007	2006
<i>Experience Adjustments</i>	£000	£000	£000	£000	£000
Experience adjustments on plan liabilities	(166)	(31)	(79)	86	809
Experience adjustments on plan assets	14	686	(1,024)	102	134
	(152)	655	(1,103)	188	943

The Company expects to contribute approximately £425,000 (2009: £415,000) to these defined benefit plans in the next financial year.

b) Defined contribution plans

The Group also operates a number of defined contribution plans. The total expense for the Group was £2,211,000 (2009: £2,118,000) and creditor outstanding relating to these plans was £417,000 (2009: £189,000).

The outstanding pensions creditor for the company was £209,000 (2009: £128,000).

23. Share capital

	Number of shares	Ordinary shares £000
At 1 January and 31 December 2009	250,000	250
At 1 January 2010	250,000	250
Proceeds from shares issued	5,750,000	5,750
At 31 December 2010	6,000,000	6,000

On 17 December 2010, the Company issued 5,750,000 ordinary shares at their nominal value of £1 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23. Dividends

On 28 October 2010 the Company paid an interim dividend of £20 per share totalling £5,000,000. On 17 December the Company paid a further interim dividend of £1 per share totalling £6,000,000.

No final dividend for 2010 has been proposed (2009: £nil). Dividends paid in 2009 comprise a final dividend in respect of the previous year ended 31 December 2008.

24. Financial instruments

a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest bearing loans and borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

24. Financial instruments (continued)

There is no significant difference between the carrying amount and fair value of any financial instrument for the Company or Group.

The carrying amounts of each class of financial assets and financial liabilities is summarised below:

Group	2010	As restated
	£000	2009
		£000
Trade and other receivables (see note 17)	83,389	74,345
Cash and cash equivalents (see note 18)	34,870	25,892
Total financial assets	118,259	100,237
Trade and other payables (see note 20)	92,249	80,594
Loans and borrowings (see note 19)	5,265	48
Total financial liabilities	97,514	80,642
Total financial instruments	20,745	19,595
Company	2010	As restated
	£000	2009
		£000
Trade and other receivables (see note 17)	62,985	52,731
Cash and cash equivalents (see note 18)	25,991	23,320
Total financial assets	88,976	76,051
Trade and other payables (see note 20)	77,284	61,041
Total financial liabilities	77,284	61,041
Total financial instruments	11,692	15,010

b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, namely cash and cash equivalents and trade and other receivables. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

24. Financial instruments (continued)

The Group's management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. An analysis of amounts that are past due but not impaired is shown below. None of the Group's financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Exposure to credit risk

The carrying amount of trade and other receivables in financial assets represents the maximum credit exposure which was £83,389,000 at 31 December 2010 (2009: £74,345,000) for the Group and £62,985,000 at 31 December 2010 (2009: £52,731,000) for the Company. The maximum exposure to credit risk for trade receivables at the balance sheet date by business segment and type of customer was as follows:

	Group		Company	
	2010	As restated 2009	2010	As restated 2009
	£000	£000	£000	£000
Building	7,025	5,082	7,025	5,082
Civil Engineering	18,497	15,319	4,365	2,688
Other	386	607	386	607
	25,908	21,008	11,776	8,377

	Group		Company	
	2010	As restated 2009	2010	As restated 2009
	£000	£000	£000	£000
Public sector customers	15,063	13,916	1,760	2,278
Private sector customers	10,845	7,092	10,016	6,099
	25,908	21,008	11,776	8,377

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was as follows:

Group	2010		As restated 2009	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	22,265	-	15,359	-
Past due (0-30 days)	1,167	-	1,729	-
Past due (31-120 days)	956	-	1,818	-
More than 120 days	1,569	(49)	2,151	(49)
	25,957	(49)	21,057	(49)

24. Financial instruments (continued)

Company	2010		As restated 2009	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	9,505	-	5,855	-
Past due (0-30 days)	729	-	308	-
Past due (31-120 days)	43	-	761	-
More than 120 days	1,499	-	1,453	-
	11,776	-	8,377	-

Movements in impairment provisions are summarised below:

Group	Impairment provisions £000
At beginning of year	49
Provided in year	-
Write offs and recoveries	-
At end of year	49

As 31 December 2010 the Company had no impairment provision (2009: £nil) and did not provided against any debt during the year.

Impairment losses are recorded into an allowance account unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk exposure arises for the Group principally from trade and other payables, taxation due, and borrowings. All Group subsidiaries monitor working capital and cash flows to ensure liquidity risk is managed. A central treasury function in the ultimate parent company covering all UK subsidiaries ensures bank and intercompany borrowings are maintained at appropriate amounts.

24. Financial instruments (continued)

Contractual maturity of financial liabilities

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the effect of netting agreements:

Group	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000
2010				
Trade and other payables	92,249	92,249	91,704	545
Loans and borrowings	5,265	5,337	3,540	1,797
Tax payable	3,348	3,348	3,348	-
	<u>100,862</u>	<u>100,934</u>	<u>98,592</u>	<u>2,342</u>

2009				
Trade and other payables	80,594	80,594	80,041	553
Loans and borrowings	48	54	50	4
Tax payable	5,205	5,205	5,205	-
As restated	<u>85,847</u>	<u>85,853</u>	<u>85,296</u>	<u>557</u>

Company	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000
2010				
Trade and other payables	77,284	77,284	76,739	545
Tax payable	1,781	1,781	1,781	-
	<u>79,065</u>	<u>79,065</u>	<u>78,520</u>	<u>545</u>

2009				
Trade and other payables	61,041	61,041	60,488	553
Tax payable	4,193	4,193	4,193	-
As restated	<u>65,234</u>	<u>65,234</u>	<u>64,681</u>	<u>553</u>

d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the values of its holdings of financial instruments. Exposure to foreign exchange risk in the Group is limited to a small number of contracts that are performed outside of the UK, namely in the Republic of Ireland. Income is received in Euros and some costs settled in Euros. The exposure on these transactions is not material.

Exposure to interest rate risk in the Group is principally on bank and cash deposits, and bank overdrafts. The Group does not participate in any interest rate hedge or swap arrangements.

24. Financial instruments (continued)

Profile of interest bearing financial instruments

At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments was as follows:

Group	2010	As restated 2009
	£000	£000
<i>Variable rate instruments</i>		
Financial assets	34,870	25,892
Financial liabilities	(5,262)	-
	29,608	25,892
<i>Fixed rate instruments</i>		
Financial liabilities	(3)	(48)
 Company	 2010	 As restated 2009
	£000	£000
<i>Variable rate instruments</i>		
Financial assets	25,991	23,320

A change of 100 basis points in interest would either increase or decrease equity by £349,000 (2009: £296,000) for the Group and by £260,000 (2009: £233,000) for the Company.

e) Capital management

The Group manages capital in line with policies established by the ultimate parent company. The ultimate parent company sets a cap on shareholders equity; if a subsidiary exceeds this at the balance sheet date, the excess is paid up to its immediate parent as a dividend.

The ultimate parent company also centrally manages loan capital invested into the UK group through the Company. External bank loans are matched by Group loans, both in amount, interest rates and terms. These loans are held in the Company, and subsidiaries draw funds from the Company as required up to an agreed limit.

UK management are responsible for working capital monitoring and management to maximise cash and cash equivalents held in the UK Group.

25. Cash flows from operating activities

	Group	
	2010	2009
	£000	£000
Profit for the year	7,711	13,408
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	2,050	2,091
Financial income	(643)	(485)
Financial expense	555	727
Loss/(gain) on sale of PPE	21	(43)
Payments to defined benefit plans	(495)	(585)
Taxation	3,473	5,285
	12,672	20,398
(Increase)/decrease in trade and other receivables	(9,034)	59,711
Decrease in inventories	735	106
Increase/(decrease) in trade and other payables	11,655	(59,560)
	16,028	20,655

	Company	
	2010	2009
	£000	£000
Profit for the year	7,748	11,302
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	1,610	1,470
Financial income	(474)	(52)
Financial expense	413	110
Gain on sale of PPE	-	(43)
Dividend income	(3,671)	-
Payments to defined benefit plans	(430)	(466)
Taxation	2,071	4,480
	7,267	16,801
(Increase)/decrease in trade and other receivables	(10,245)	61,569
Decrease in inventories	350	47
Increase/(decrease) in trade and other payables	16,243	(56,379)
	13,615	22,038

26. Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
<i>Land and buildings</i>				
Less than one year	933	862	933	862
Between one and five years	2,596	4,497	2,018	3,161
More than five years	540	1,619	540	899
	4,069	6,978	3,491	4,922
<i>Plant and machinery</i>				
Less than one year	-	-	-	-
Between one and five years	50	-	-	-
	50	-	-	-

During the year the following amounts were recognised in the income statement in respect of operating leases:

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Land and buildings	1,269	1,164	933	862
Plant and machinery	68	100	-	-
	1,337	1,264	933	862

27. Contingencies

The Group has normal contingent liabilities in respect of maintenance agreements on completed contracts.

Performance bonds and guarantees have been entered into in the normal course of business.

The Volker Wessels UK Limited Group has entered into a Group composite banking and financing arrangement with The Royal Bank of Scotland plc and Volker Wessels Stevin Financial Services bv. Volker Wessels UK Limited and its subsidiaries have given fixed and floating charges and cross guarantees in this respect. At the accounting date the liability was £nil (2009: £40,000,000).

The Company, as a result of a Volker Wessels UK Limited group registration for VAT, is jointly and severally liable for the VAT liabilities of its subsidiary undertakings. At the accounting date, the Group liability was £4,139,947 (2009: £2,841,666).

28. Related parties

Related party transactions

Transactions between the Group and other related parties including jointly controlled entities are noted below.

Compensation of key management

The compensation of key management personnel (including subsidiary directors) is as follows:

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Emoluments	1,764	2,058	1,108	1,662
Social security costs	156	171	92	138
Contributions to money purchase pension plans	183	258	148	140
	2,103	2,487	1,348	1,940

28. Related parties (continued)

Related party transactions with group undertakings
Other related party transactions are summarised below:

Group	VolkerStevin Limited £000	VolkerStevin Nederlands BV £000	VolkerRail Limited £000	VolkerWessels (UK) Limited £000	VolkerHighways Crowley Limited £000	Total £000
Amounts owed by undertaking						
At start of year	51	923	628	-	195	1,797
Sales	59	-	45	220	-	324
Receipts	(51)	(923)	(90)	-	(195)	(1,259)
At end of year	59	-	583	220	-	862
Amounts owed to undertaking						
At start of year	70	-	324	230	5,121	5,745
Expenses	200	-	12	-	-	212
Payments	(70)	-	(322)	(230)	(5,121)	(5,743)
At end of year	200	-	14	-	-	214

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28. Related parties (continued)

Company	Volker Stevin Limited	Volker Highways Crowley Limited	Volker Rail Limited	Volker Wessels (UK) Limited	Volker Highways Mews Limited	Volker Highways Limited	Total
	£000	£000	£000	£000	£000	£000	£000
Amounts owed by undertaking							
At start of year	51	3	628	-	92	3,502	4,276
Sales	59	-	45	200	-	-	304
Receipts	(51)	(3)	(90)	-	(92)	(3,502)	(3,738)
At end of year	59	-	583	200	-	-	842
Amounts owed to undertaking							
At start of year	25	3,616	324	230	-	-	4,195
Expenses	200	-	12	-	-	-	212
Payments	(25)	(3,616)	(322)	(230)	-	-	(4,193)
At end of year	200	-	14	-	-	-	214

29. Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of VolkerWessels Limited which is incorporated in England and Wales.

The ultimate parent undertaking and controlling party is Royal Volker Wessels Stevin nv, a company incorporated in The Netherlands. The largest group in which the results of the Company are consolidated is that headed by Royal Volker Wessels Stevin nv. Copies of the consolidated financial statements may be obtained from its Rotterdam office: Oostmaaslaan 71, 3063 AN, Rotterdam, The Netherlands.

The smallest group in which the results of the Company are consolidated is that headed by VolkerWessels Limited, which is incorporated in England and Wales. Copies of its consolidated financial statements may be obtained from its registered office: Hertford Road, Hoddesdon, Hertfordshire EN11 9BX.

30. Accounting estimates and judgements

Accounting estimates are based on historical experience and various other assumptions that management and the Board of directors believe are reasonable under the circumstances. The results of this form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Areas requiring estimates that may significantly impact on the Group's and Company's earnings and financial position are as follows:

(a) Revenue recognition

The Company uses the percentage-of-completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy previously stated. The recoverable amounts of cash-generating units have been determined based on value in-use calculations. These calculations require the use of estimates.

(c) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 21.