VolkerFitzpatrick

VolkerFitzpatrick Limited

Directors' Report and Financial Statements

Registered number 02387700

31 December 2011

Contents

Directors

RA Offord
(Managing Director)

NA Connell
AR Robertson
MG Woods
J Suckling
VolkerWessels 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

The Directors present their Directors' Report and financial statements for the year ended 31 December 2011.

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:

	2011	2010
	£000	£000
Revenue	**468,303**	**397,491**
Gross profit	**32,889**	**34,597**
Gross profit margin	**7%**	**9%**
Profit before tax	**9,284**	**11,184**
Profit before tax margin	**2%**	**3%**
Total assets	**133,890**	**132,368**
Net assets	**38,507**	**31,119**

Despite the general downturn in the construction market, revenue for the group was £71 million (18%) higher than 2010. However, the increased competiveness for work has created a downward pressure on margins, contributing towards the reduction in profit before tax from £11.1 million last year to £9.3 million in 2011.

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 mechanical biological waste treatment facility in Southwark for Veolia Environmental Services, the Hoe Valley flood alleviation scheme including three new bridges, the construction of a refrigerated single warehouse unit with a gross internal floor area of 442,633 sq. ft for Tesco and a series of platform extensions at various stations across London for Network Rail.

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.

VolkerHighways, the highways maintenance subsidiary of VolkerFitzpatrick, continued to deliver a range of services to its Term Maintenance Contract clients working in partnership with them to deliver improvements and cost savings. As part of this strategy the Company will be rolling out its new work order management system during the coming year which will provide our local authority clients with improved information on their contracts leading to greater efficiency.

At the end of 2011, the order book stood at £401 million, (2010: £333 million). This is driven by an increase of 19% across VolkerFitzpatrick's core civil engineering, rail and building businesses and an increase of 23% on the previous year for VolkerHighways where the growth was underpinned by several of our largest clients extending contracts for our services despite fierce competition. The Group's reputation for both high quality and on-time delivery were key factors in these successes.

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 2.3 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 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.

At the year end trade creditor days for the Group were 55 (2010: 70) and for the Company were 61 (2010: 83).

Dividends
No interim dividends were paid in 2011. The Directors do not recommend the payment of a final dividend.

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

RA Offord
AR Robertson
NA Connell
MG Woods
J Suckling
VolkerWessels UK Limited

Political and charitable contributions
The company made a donation of £1,934 to the Railway Children charity during the year (2010: £nil). Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2010: £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

RA Offord
Director
29 June 2012
VolkerFitzpatrick Limited
Company registered number: 02387700

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

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.

We have audited the financial statements of VolkerFitzpatrick Limited for the year ended 31 December 2011 set out on pages 9 to 54. 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 2011 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.

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

3 JULY 2012

	Note	2011 £000	2010 £000
Revenue	3	**468,303**	397,491
Cost of sales		**(435,414)**	(362,894)
Gross profit		**32,889**	34,597
Administrative expenses		**(23,601)**	(24,064)
Other operating expenses	4	**(162)**	(21)
Other operating income	5	**-**	584
Operating profit	6	**9,126**	11,096
Financial income	9	**768**	643
Financial expenses	10	**(610)**	(555)
Profit before tax		**9,284**	11,184
Taxation	11	**(1,720)**	(3,473)
Profit for the year		**7,564**	7,711
Profit attributable to equity holders of the parent company		**7,564**	7,711

All results derive from continuing operations.

The profit for the Parent Company for the year was £4,705,000 (2010: £7,748,000).

The notes on pages 17 to 54 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	Note	**2011 £000**	2010 £000
Profit for the year		**7,564**	7,711
Other comprehensive income			
Actuarial losses on defined benefit pension plans	*21*	**(235)**	(689)
Tax recognised on actuarial losses		**59**	176
Other comprehensive expense for the year, net of income tax		**(176)**	(513)
Total comprehensive income for the year		**7,388**	7,198
Profit attributable to equity holders of the parent company		**7,388**	7,198

The notes on pages 17 to 54 form an integral part of the consolidated financial statements.

	Note	2011	2010
		£000	£000
Non current assets			
Property, plant and equipment	*12*	**9,172**	10,516
Intangible assets	*13*	**3,183**	1,072
Trade and other receivables	*17*	**2,167**	2,099
Deferred tax assets	*15*	**329**	314
Employee benefits	*21*	**1,798**	1,435
		16,649	15,436
Current assets			
Inventories	*16*	**-**	772
Trade and other receivables	*17*	**95,910**	81,290
Cash and cash equivalents	*18*	**21,331**	34,870
		117,241	116,932
Total assets		**133,890**	132,368
Equity attributable to equity holders of the parent			
Share capital	*22*	**6,000**	6,000
Retained earnings		**32,507**	25,119
Total equity		**38,507**	31,119
Non current liabilities			
Loans and borrowings	*19*	**1,754**	1,754
Trade and other payables	*20*	**-**	545
Deferred tax liabilities	*15*	**449**	387
		2,203	2,686
Current liabilities			
Loans and borrowings	*19*	**1,754**	3,511
Trade and other payables	*20*	**89,841**	91,704
Tax payable		**1,585**	3,348
		93,180	98,563
Total liabilities		**95,383**	101,249
Total equity and liabilities		**133,890**	132,368

These financial statements were approved by the Board of Directors on 29 June 2012 and were signed on its behalf by:

RA Offord
Director

Company registered number: 02387700

The notes on pages 17 to 54 form an integral part of the consolidated financial statements.

	Note	2011 £000	2010 £000
Non current assets			
Property, plant and equipment	12	**8,714**	9,720
Intangible assets	13	**1,828**	643
Investments	14	**7,178**	7,178
Trade and other receivables	17	**2,032**	1,691
Deferred tax assets	15	**55**	58
Employee benefits	21	**1,258**	1,183
		21,065	20,473
Current assets			
Trade and other receivables	17	**68,770**	61,294
Cash and cash equivalents	18	**13,538**	25,991
		82,308	87,285
Total assets		**103,373**	107,758
Equity attributable to equity holders of the company			
Share capital	22	**6,000**	6,000
Retained earnings		**26,738**	22,374
Total equity		**32,738**	28,374
Non current liabilities			
Trade and other payables	20	**-**	545
Deferred tax liabilities	15	**325**	319
		325	864
Current liabilities			
Trade and other payables	20	**69,675**	76,739
Tax payable		**635**	1,781
		70,310	78,520
Total liabilities		**70,635**	79,384
Total equity and liabilities		**103,373**	107,758

These financial statements were approved by the Board of Directors 29 June 2012 and were signed on its behalf by:

RA Offord
Director

Company registered number: 02387700

The notes on pages 17 to 54 form an integral part of the consolidated financial statements.

	Share capital £000	Retained earnings £000	Total equity £000
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**
Balance at 1 January 2011	**6,000**	**25,119**	**31,119**
Comprehensive income			
Profit for year	-	7,564	7,564
Other comprehensive income			
Actuarial losses on defined benefit pension plans, net of tax	-	(176)	(176)
	-		
Balance at 31 December 2011	**6,000**	**32,507**	**38,507**

The notes on pages 17 to 54 form an integral part of the consolidated financial statements.

	Share capital £000	Retained earnings £000	Total equity £000
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**
Balance at 1 January 2011	**6,000**	**22,374**	**28,374**
Comprehensive income			
Profit for year	-	4,705	4,705
Other comprehensive income			
Actuarial losses on defined benefit pension plans, net of tax	-	(341)	(341)
Balance at 31 December 2011	6,000	26,738	32,738

The notes on pages 17 to 54 form an integral part of the consolidated financial statements.

	Note	2011 £000	2010 £000
Cash flows from operating activities	25	**(6,488)**	16,028
Interest paid	10	**(111)**	(36)
Tax paid		**(3,377)**	(5,540)
Net cash from operating activities		**(9,976)**	10,452
Cash flows from investing activities			
Proceeds from disposal of leasehold property		**584**	-
Proceeds from sale of plant, property and equipment		-	225
Transfer of property, plant and equipment to fellow group undertakings		**16**	-
Interest received		**208**	118
Acquisition of plant, property and equipment		**(249)**	(930)
Acquisition of intangibles		**(2,378)**	(824)
Net cash from investing activities		**(1,819)**	(1,411)
Cash flows from financing activities			
Repayment of finance lease liabilities		**(3)**	(45)
(Decrease)/increase in group indebtedness		**(1,754)**	5,262
Proceeds from issuance of ordinary shares		-	5,750
Dividends paid to Company's shareholders		-	(11,000)
Net cash from financing activities		**(1,757)**	(33)
Net increase in cash and cash equivalents		**(13,552)**	9,008
Cash and cash equivalents at 1 January		**34,870**	25,892
Effect of exchange rate fluctuations on cash held		**13**	(30)
Cash and cash equivalents at 31 December	18	**21,331**	34,870

The notes on pages 17 to 54 form an integral part of the consolidated financial statements.

	Note	2011 £000	2010 £000
Cash flows from operating activities	25	**(9,133)**	13,615
Interest paid		**(38)**	(33)
Tax paid		**(1,811)**	(4,587)
Net cash from operating activities		**(10,982)**	8,995
Cash flows from investing activities			
Dividends received		-	3,671
Proceeds from sale of property, plant and equipment		-	195
Interest received		**140**	87
Acquisition of property, plant and equipment		**(153)**	(2,162)
Transfer of property, plant and equipment from fellow group undertakings		**(19)**	-
Acquisition of intangibles		**(1,452)**	(798)
Net cash from investing activities		**(1,484)**	993
Cash flows from financing activities			
Dividends paid to Company's shareholders		-	(11,000)
Purchase of subsidiary ordinary shares		-	(2,037)
Proceeds from issuance of ordinary shares		-	5,750
Net cash from financing activities		-	(7,287)
Net increase in cash and cash equivalents		**(12,466)**	2,701
Cash and cash equivalents at 1 January		**25,991**	23,320
Effect of exchange rate fluctuations on cash held		**13**	(30)
Cash and cash equivalents at 31 December	18	**13,538**	25,991

The notes on pages 17 to 54 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 statements.

2.2. Measurement convention

The financial statements are prepared on the historical cost basis.

2.3. Going concern

The Company'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 Company 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.

The Company is currently able to self-finance its day–to-day working capital requirements, however there are stand by facilities available, provided to the VolkerWessels UK Limited Group by VolkerWessels Stevin Financial Services bv, if required (also see note 24).
The Directors have a reasonable expectation that the Company 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.

2.4. 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. Accounting policies (continued)

2.5. Jointly controlled operations

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.

2.6. 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.

2.7. 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
Plant, machinery and vehicles:	4-6 years
Fixtures, fittings, tools and equipment:	4 years

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

2.8. 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

2. Accounting policies (continued)

2.9. 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.

2.10. 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

2.11. 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 Group'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 amounts due to customers for contract work, 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. Accounting policies (continued)

2.12. 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.

2.13. 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.

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. Accounting policies (continued)

2.14. 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 Companys' 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.

2.15. 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.

2.16. 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. Accounting policies (continued)

2.17. 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.

2.18. 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.

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.

2.19. 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. Accounting policies (continued)

2.20. 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.

2.21. Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IAS 1 'Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income' (mandatory for year commencing on or after 1 July 2011). The Amendments require separate presentation of items of other comprehensive income that are reclassified subsequently to profit or loss (recyclable) and those that are not reclassified to profit or loss (non-recyclable). If items of other comprehensive income are presented before tax, then income tax is allocated to each respective group.
- IFRS 9 'Financial Instruments' (mandatory for year commencing on or after 1 January 2013).
- IFRS 13 'Fair Value Measurement' (mandatory for year commencing on or after 31 December 2012. The standard requires increased disclosure of fair value measurements.
- Amendments to IAS 19 'Employee Benefits' (mandatory for year commencing on or after 31 December 2012).
- IFRS 10 'Consolidated Financial Statements' (mandatory for year commencing on or after 1 January 2013).

3. Revenue

Revenues are comprised as follows:

	2011	2010
	£000	£000
Construction contract revenues	**354,409**	278,713
Service contract revenues	**113,894**	118,778
Total revenues	**468,303**	397,491

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

4. Other operating expense

	2011	2010
	£000	£000
Loss on disposal of property, plant and equipment	**162**	21

5. Other operating income

	2011 £000	2010 £000
Gain on disposal of leasehold property	-	584

6. Operating profit

Operating profit is stated after charging:

	2011 £000	2010 £000
Depreciation of plant, property and equipment		
- owned assets	1,480	1,771
Amortisation of intangible assets	204	279
Operating lease charges		
- plant and machinery	-	68
- other	922	1,269
Auditors' remuneration		
- audit of these financial statements	110	120
- audit of financial statements of subsidiaries pursuant to legislation	40	40
- other services	3	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:

	2011 No	2010 No
Management & administrative	248	208
Operational	903	945
	1,151	1,153

The aggregate payroll costs of these persons were as follows:

	2011 £000	2010 £000
Wages and salaries	49,226	50,124
Social security costs	5,115	4,586
Contributions to defined contribution plans	2,578	2,211
Expense related to defined benefit plans	5	10
	56,924	56,931

8. Directors' remuneration

	2011 £000	2010 £000
Directors' emoluments	1,722	1,528
Compensation for loss of office	-	63
Company contributions to money purchase pension plans	177	171
	1,899	1,762

The emoluments of the highest paid Director were £530,000 (2010: £428,000) and company pension contributions of £66,000 (2010: £63,000) were made to a money purchase scheme on his behalf.

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

	2011 No	2010 No
Money purchase schemes	5	5

9. Financial income

	2011 £000	2010 £000
Interest income on short-term bank deposits	208	118
Expected return on defined benefit pension plan assets	547	525
Net foreign exchange gain	13	-
Total financial income	768	643

10. Financial expense

	2011 £000	2010 £000
Interest on defined benefit plan obligations	**499**	489
Interest on borrowings	**111**	-
Charges payable in respect of finance leases	**-**	3
Net foreign exchange loss	**-**	63
Total financial expense	**610**	555

11. Taxation

a) Analysis of the tax recognised in the income statement

	2011 £000	2010 £000
Current tax expense		
UK corporation tax:		
Current year	**2,174**	3,639
Adjustments for prior years	**(516)**	(38)
Foreign tax:		
Current year	**-**	82
Adjustments for prior years	**(28)**	-
Current tax expense	**1,630**	3,683
Deferred tax expense/(income)(see note 15)		
Origination and reversal of temporary differences	**(11)**	(340)
Change in tax rate	**(5)**	114
Adjustments for prior years	**106**	16
Deferred tax expense/(income)	**90**	(210)
Total tax expense	**1,720**	3,473

11. Taxation (continued)

b) Reconciliation of effective tax rate

	2011 £000	2010 £000
Profit for the year	7,564	7,711
Total tax expense	1,720	3,473
Profit excluding taxation	9,284	11,184
Tax using the UK corporation tax rate of 26.5% (2010: 28%)	2,460	3,132
Effects of:		
Non deductible expenses	60	236
Adjustment in respect of foreign tax	-	71
Deferred tax on non-qualifying capital expenditure	-	66
Effect of research and development tax concession	(223)	-
Other	(134)	-
Effect of change in tax rate	(5)	(10)
Adjustments for prior years	(438)	(22)
Total tax expense	1,720	3,473

c) Tax recognised directly in equity

	2011 £000	2010 £000
Deferred tax credit recognised directly in equity	59	176

d) Factors that may affect future current and total tax charges.

On 5 July 2011, a reduction in the standard rate of corporation tax rate to 25% was substantially enacted and became effective from April 2012. On 26 March 2012 a further reduction in the standard rate of corporation tax rate to 24% was substantially enacted and became effective from 1 April 2012 (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 2010	7,047	13,912	1,411	**22,370**
Additions	-	617	211	**828**
Transfer from fellow group undertaking	-	170	299	**469**
Acquisition through business combinations	-	-	(172)	**(172)**
Disposals	-	(2,178)	(998)	**(3,176)**
At 31 December 2010	7,047	12,521	751	**20,319**
At 1 January 2011	7,047	12,521	751	**20,319**
Additions	-	201	48	**249**
Transfer (to)/from fellow group undertaking	-	(105)	43	**(62)**
Transfer from intangible assets	-	-	65	**65**
Disposals	-	(2,257)	(11)	**(2,268)**
At 31 December 2011	7,047	10,360	896	**18,303**
Depreciation and impairment				
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**
Acquisition through business combinations	-	-	(119)	**(119)**
Disposals	-	(2,125)	(805)	**(2,930)**
At 31 December 2010	800	8,466	537	**9,803**
At 1 January 2011	800	8,466	537	**9,803**
Charge for the year	267	1,100	113	**1,480**
Transfer (to)/from fellow group undertaking	-	(53)	7	**(46)**
Transfer from intangible assets	-	-	2	**2**
Disposals	-	(2,097)	(11)	**(2,108)**
At 31 December 2011	1,067	7,416	648	**9,131**
Net book value				
At 31 December 2011	**5,980**	**2,944**	**248**	**9,172**
At 31 December 2010	6,247	4,055	214	**10,516**
At 1 January 2010	6,513	4,705	438	**11,656**

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 2010	7,047	6,048	1,010	**14,105**
Additions	-	349	187	**536**
Transfer to fellow group undertaking	-	4,671	639	**5,310**
Transfer from intangible assets	-	-	(172)	**(172)**
Disposals	-	(600)	(943)	**(1,543)**
At 31 December 2010	7,047	10,468	721	**18,236**
At 1 January 2011	7,047	10,468	721	**18,236**
Additions	-	104	49	**153**
Transfer (to)/from fellow group undertaking	-	(62)	43	**(19)**
Transfer from intangible assets	-	-	65	**65**
Disposals	-	(1,960)	(9)	**(1,969)**
At 31 December 2011	7,047	8,550	869	**16,466**
Depreciation and impairment				
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 2010	800	7,185	531	**8,516**
At 1 January 2011	800	7,185	531	**8,516**
Charge for the year	267	768	103	**1,138**
Transfer (to)/from fellow group undertaking	-	(45)	7	**(38)**
Transfer from intangible assets	-	-	2	**2**
Disposals	-	(1,857)	(9)	**(1,866)**
At 31 December 2011	1,067	6,051	634	**7,752**
Net book value				
At 31 December 2011	**5,980**	**2,499**	**235**	**8,714**
At 31 December 2010	6,247	3,283	190	**9,720**
At 1 January 2010	6,513	2,205	419	**9,137**

13. Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
Balance at 1 January 2010	403	280	**683**
Additions	-	824	**824**
Assets transferred to PPE	-	172	**172**
Balance at 31 December 2010	403	1,276	**1,679**
Balance at 1 January 2011	403	1,276	**1,679**
Additions	-	2,378	**2,378**
Assets transferred to PPE	-	(65)	**(65)**
Balance at 31 December 2011	403	3,589	**3,992**
Amortisation and impairment			
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**
Balance at 1 January 2011	-	607	**607**
Assets transferred to PPE	-	(2)	**(2)**
Amortisation for the year	-	204	**204**
Balance at 31 December 2011	-	809	**809**
Net book value			
At 31 December 2011	**403**	**2,780**	**3,183**
At 31 December 2010	**403**	**669**	**1,072**
At 1 January 2010	403	71	474

Included within software are £951,584 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 2011 and 2010 is shown below:

	2011 £000	2010 £000
VolkerHighways	**403**	403

13. Intangible assets (continued)

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

	2011	2010
	£000	£000
Administrative expenses	**204**	279

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:

	2011	2010
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 2010	280
Assets transferred from PPE	172
Additions	798
Balance at 31 December 2010	1,250
Balance at 1 January 2011	1,250
Assets transferred to PPE	(65)
Additions	1,452
Balance at 31 December 2011	2,637
Amortisation and impairment	
Balance at 1 January 2010	209
Assets transferred from PPE	119
Amortisation for the year	279
Balance at 31 December 2010	607
Balance at 1 January 2011	607
Assets transferred to PPE	(2)
Amortisation for the year	204
Balance at 31 December 2011	809
Net book value	
At 31 December 2011	**1,828**
At 31 December 2010	**643**
At 1 January 2010	71

14. Investments

Company	**Shares in group undertakings £000**
Cost	
At 1 January 2010	5,141
Additions	2,037
At 31 December 2010	**7,178**
At 1 January and 31 December 2011	**7,178**

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

Subsidiary undertakings	**Principle activities**	**Class of shares held**	**Ownership % 2011**	**Ownership % 2010**
VolkerHighways Limited*	Maintenance	Ordinary	**100%**	100%
VolkerHighways Mews Limited*	Non-trading	Ordinary	**100%**	100%

** directly held by the Company*

Jointly controlled operations	**Principle activities**	**JCO partner**	**Address**	**Company Share % 2011**	**Company Share % 2010**
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 Granite House
Granite Way
Syston
Leicester
Leicestershire
LE7 1PL

3 Epsilon Windmill Hill
Business Park
Whitehill Way
Swindon
Wiltshire
SN5 6NX

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

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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Property, plant and equipment	**264**	241	**-**	-
Employee benefits	**-**	-	**(449)**	(387)
Provisions	**65**	73	**-**	-
Tax assets/(liabilities)	**329**	314	**(449)**	(387)

Company	Assets		Liabilities	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Property, plant and equipment	**-**	7	**(11)**	-
Employee benefits	**-**	-	**(314)**	(319)
Provisions	**55**	51	**-**	-
Tax assets/(liabilities)	**55**	58	**(325)**	(319)

b) Movement in deferred tax in the year

Group	1 January 2011	Recognised in income	Recognised in equity	31 December 2011
	£000	£000	£000	£000
Property, plant and equipment	**241**	23	-	**264**
Employee benefits	**(387)**	(121)	59	**(449)**
Provisions	**73**	(8)	-	**65**
	(73)	(106)	59	**(120)**

Company	1 January 2011	Recognised in income	Recognised in equity	31 December 2011
	£000	£000	£000	£000
Property, plant and equipment	7	(18)	-	**(11)**
Employee benefits	(319)	(109)	114	**(314)**
Provisions	51	4	-	**55**
	(261)	(123)	114	**(270)**

15. Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior 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)

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

On 23 March 2011 the Chancellor announced a 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. The reduction to 25% with effect from 1 April 2012 was substantively enacted on 5 July 2011 and therefore the effect of this reduction on the deferred tax balance as at 31 December 2011 has been reflected in the figures above.

On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. This change became substantively enacted on 29 March 2012. The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 22% by 1 April 2014 but these changes have not yet been substantively enacted and therefore are not included in the figures above. The effect of the further reduction from 25% to 24%, if these were applied to the deferred tax balance at 31 December 2011, would be to further reduce the net deferred tax liability by approximately £5,000 and £11,000 for the Group and Company respectively.

16. Inventories

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Raw materials and consumables	-	772	-	-

Raw materials and consumables recognised as cost of sales in the year amounted to £58,085,000 (2010: £55,757,000).

17. Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade receivables	**24,000**	25,908	**14,424**	11,776
Construction contract debtors	**65,610**	54,824	**48,146**	49,430
Amounts owed by group undertakings	**5,621**	862	**5,601**	842
Prepayments	**2,846**	1,211	**2,631**	937
Other receivables	**-**	584	**-**	-
	98,077	83,389	**70,802**	62,985
Current	**95,910**	81,290	**68,770**	61,294
Non current	**2,167**	2,099	**2,032**	1,691
	98,077	83,389	**70,802**	62,985

Included within construction contract work debtors is £2,167,000 (2010: £2,099,000) for the Group and £2,032,000 (2010: £1,691,000) for the Company expected to be recovered in over 12 months.

At 31 December 2011, aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £1,632,888,000 (2010: £1,433,699,000) for the Group and £1,190,623,000 (2010: £1,091,888,000) for the Company.

At 31 December 2011, construction contract debtors include retentions of £13,127,000 (2010: £13,845,000) relating to construction contracts in progress.

18. Cash and cash equivalents

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Cash and cash equivalents	**21,331**	34,870	**13,538**	25,991

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	**2011 £000**	2010 £000
Finance lease liabilities	-	3
Loans from fellow group undertakings	**3,508**	5,262
	3,508	5,265
Current	**1,754**	1,754
Non current	**1,754**	3,511
	3,508	5,265

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

	Currency	**Nominal interest rate**	**Year of maturity**	**Carrying amount 2011 £000**	Carrying amount 2010 £000
Finance lease liabilities	GBP	12%	2011	-	3
Loans from fellow undertakings	GBP	Base rate + 0.8%	2013	**3,508**	5,262
				3,508	5,265

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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Trade payables	**62,472**	69,656	**50,167**	55,757
Amounts owed to group undertakings	**1,679**	214	**2,799**	214
Amounts due to customers for contract work	**14,541**	1,143	**7,701**	1,143
Non trade payables and accrued expenses	**10,238**	7,784	**8,274**	6,718
Other payables	**911**	13,452	**734**	13,452
	89,841	92,249	**69,675**	77,284
Current	**89,841**	91,704	**69,675**	76,739
Non current	**-**	545	**-**	545
	89,841	92,249	**69,675**	77,284

Included within trade payables is £nil (2010: £545,000) for the Group and Company expected to be settled in over 12 months.

21. Employee benefits

Group

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	Fitzpatrick Pension Scheme	Fitzpatrick Greenwich Pension Scheme	**Total**
	£000	£000	£000	**£000**
2011				
Fair value of plan assets	3,050	5,940	1,939	**10,929**
Present value of funded defined benefit obligations	(2,510)	(5,417)	(1,204)	**(9,131)**
Surplus in schemes	540	523	735	**1,798**
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**

21. Employee benefits (continued)

Movements in present value of defined benefit obligations:

Group	2011 £000	2010 £000
At 1 January	**(9,365)**	(8,909)
Current service cost	**(5)**	(10)
Interest cost	**(499)**	(489)
Actuarial gains / (losses)	**132**	(658)
Contributions by members	**(1)**	(2)
Benefits paid	**607**	703
At 31 December	**(9,131)**	(9,365)

Movements in fair value of plan assets:

Group	2011 £000	2010 £000
At 1 January	**10,800**	10,512
Expected return on plan assets	**547**	525
Actuarial losses	**(367)**	(31)
Contributions by employer	**555**	495
Contributions by members	**1**	2
Benefits paid	**(607)**	(703)
At 31 December	**10,929**	10,800

The income recognised in the income statement:

Group	2011 £000	2010 £000
Current service cost	**(5)**	(10)
Interest on defined benefit pension plan obligation	**(499)**	(489)
Expected return on defined benefit pension plan assets	**547**	525
	43	26

21. Employee benefits (continued)

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

Group	2011 £000	2010 £000
Administrative expenses	**(5)**	(10)
Finance income	**547**	525
Finance expense	**(499)**	(489)
	43	26

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

Group	2011 £000	2010 £000
Cumulative amount at 1 January	**(1,699)**	(1,010)
Recognised in the year	**(235)**	(689)
Cumulative amount at 31 December	**(1,934)**	(1,699)

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

Group	2011 £000	2010 £000
Equities	**4,299**	4,740
Bonds	**4,556**	5,458
Other	**2,074**	602
	10,929	10,800
Actual return on plan assets	**180**	494

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	2011 %	2010 %
Discount rate	**4.9**	5.5
Salary increase	**3.1**	3.5
Inflation	**3.1**	3.5
Expected return on plan assets	**4.0**	5.6
Allowance for pension in payment increases of RPI or 5% if less	**1.4**	3.4
Allowance for revaluation of deferred pensions of RPI or 5% if less	**2.3**	3.5

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). During 2011 the Group evaluated the impact of this change and determined that there was no change to the valuation of the Fitzpatrick Greenwich Pension Scheme, the valuation of the remaining schemes increased by £480,000 in 2011 as a result of using CPI instead of RPI.

In valuing the liabilities of the pension fund at 31 December 2011, 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 2011 would have increased by £190,000 before deferred tax (2010: £160,000).

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 Years	Female Years
Current pensioner aged 65	20.7	22.9
Future retiree upon reaching 65 in 20 years	22.1	24.5

21. Employee benefits (continued)

History of plans

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

Group *Balance Sheet*	**2011 £000**	**2010 £000**	**2009 £000**	**2008 £000**	**2007 £000**
Fair value of plan assets	**10,929**	10,800	10,512	8,904	9,790
Present value of the defined benefit obligation	**(9,131)**	(9,365)	(8,909)	(7,184)	(8,326)
Surplus/(deficit)	**1,798**	1,435	1,603	1,720	1,464

Experience Adjustments	**2011 £000**	**2010 £000**	**2009 £000**	**2008 £000**	**2007 £000**
Experience adjustments on plan liabilities	**96**	(166)	(616)	367	707
Experience adjustments on plan assets	**(367)**	(31)	841	(1,577)	48
	(271)	(197)	225	(1,210)	755

The Group expects to contribute approximately £475,000 (2010: £485,000) to these defined benefit plans in the next financial year.

Company

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

Company	Fitzpatrick Pension Scheme £000	Fitzpatrick Greenwich Pension Scheme £000	**Total £000**
2011			
Fair value of plan assets	5,940	1,939	**7,879**
Present value of funded defined benefit obligations	(5,417)	(1,204)	**(6,621)**
Surplus in schemes	523	735	**1,258**
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**

21. Employee benefits (continued)

Movements in present value of defined benefit obligations:

Company	**2011**	2010
	£000	£000
At 1 January	**(6,818)**	(6,445)
Current service cost	**(5)**	(9)
Interest cost	**(360)**	(350)
Actuarial gains/(losses)	**7**	(659)
Contributions by members	**(1)**	(2)
Benefits paid	**556**	647
At 31 December	**(6,621)**	(6,818)

Movements in fair value of plan assets:

Company	**2011**	2010
	£000	£000
At 1 January	**8,001**	7,815
Expected return on plan assets	**415**	387
Actuarial (losses)/gains	**(462)**	14
Contributions by employer	**480**	430
Contributions by members	**1**	2
Benefits paid	**(556)**	(647)
At 31 December	**7,879**	8,001

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

Company	**2011**	2010
	£000	£000
Current service cost	**(5)**	(10)
Interest on defined benefit pension plan obligation	**(360)**	(350)
Expected return on defined benefit pension plan assets	**415**	387
	50	27

21. Employee benefits (continued)

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

Company	2011 £000	2010 £000
Cumulative amount at 1 January	(1,118)	(473)
Recognised in the year	(455)	(645)
Cumulative amount at 31 December	(1,573)	(1,118)

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

Company	2011 £000	2010 £000
Equities	3,535	3,949
Bonds	3,108	3,469
Other	1,236	583
	7,879	8,001
Actual return on plan assets	(47)	401

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	2011 %	2010 %
Discount rate	4.9	5.5
Salary increase	3.1	3.5
Inflation	3.1	3.5
Expected return on plan assets	4.2	5.6
Allowance for pension in payment increases of RPI or 5% if less	0.7	3.4
Allowance for revaluation of deferred pensions of RPI or 5% if less	2.1	3.5

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). During 2011 the Group evaluated the impact of this change and determined that there was no change to the valuation of the Fitzpatrick Greenwich Pension Scheme, the valuation of the Fitzpatrick Pension Scheme increased by £260,000 in 2011 as a result of using CPI instead of RPI.

21. Employee benefits (continued)

In valuing the liabilities of the pension fund at 31 December 2011, 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 2011 would have increased by £120,000 before deferred tax (2010: £100,000).

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	20.7	22.9
Future retiree upon reaching 65 in 20 years	22.1	24.5

History of plans

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

Company *Balance Sheet*	**2011 £000**	**2010 £000**	**2009 £000**	**2008 £000**	**2007 £000**
Fair value of plan assets	**7,879**	8,001	7,815	6,595	7,121
Present value of the defined benefit obligation	**(6,621)**	(6,818)	(6,445)	(5,387)	(6,152)
Surplus	**1,258**	1,183	1,370	1,208	969

Experience Adjustments	**2011 £000**	**2010 £000**	**2009 £000**	**2008 £000**	**2007 £000**
Experience adjustments on plan liabilities	**(259)**	(166)	(31)	(79)	86
Experience adjustments on plan assets	**(462)**	14	686	(1,024)	102
	(721)	(152)	655	(1,103)	188

The Company expects to contribute approximately £415,000 (2010: £425,000) 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 £2,578,000 (2010: £2,211,000) and creditor outstanding relating to these plans was £368,000 (2010: £417,000).

The outstanding pensions creditor for the company was £186,000 (2010: £209,000).

22. Share capital

	Number of shares	Ordinary shares £000
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
At 1 January and 31 December 2011	**6,000,000**	**6,000**

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

No interim dividend for 2011 was paid during the year (2010: £6,000,000).

No final dividend for 2011 has been proposed (2010: £nil).

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	2011 £000	2010 £000
Trade and other receivables (see note 17)	98,077	83,389
Cash and cash equivalents (see note 18)	21,331	34,870
Total financial assets	119,408	118,259
Trade and other payables (see note 20)	89,841	92,249
Loans and borrowings (see note 19)	3,508	5,265
Total financial liabilities	93,349	97,514
Total financial instruments	26,059	20,745

Company	2011 £000	2010 £000
Trade and other receivables (see note 17)	70,802	62,985
Cash and cash equivalents (see note 18)	13,538	25,991
Total financial assets	84,340	88,976
Trade and other payables (see note 20)	69,675	77,284
Total financial liabilities	69,675	77,284
Total financial instruments	14,665	11,692

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 £98,077,000 at 31 December 2010 (2010: £83,389,000) for the Group and £70,802,000 at 31 December 2010 (2010: £62,985,000) 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**	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Building	**1,240**	7,025	**1,240**	7,025
Civil Engineering	**22,760**	18,497	**13,184**	4,365
Other	-	386	-	386
	24,000	25,908	**14,424**	11,776

	Group		**Company**	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Public sector customers	**10,917**	15,063	**1,945**	1,760
Private sector customers	**13,083**	10,845	**12,479**	10,016
	24,000	25,908	**14,424**	11,776

Credit quality of financial assets and impairment losses
The ageing of trade receivables at the balance sheet date was as follows:

Group	**2011**		2010	
	Gross	**Impairment**	Gross	Impairment
	£000	**£000**	£000	£000
Not past due	**18,802**	-	22,265	-
Past due (0-30 days)	**3,593**	-	1,167	-
Past due (31-120 days)	**991**	-	956	-
More than 120 days	**614**	-	1,569	(49)
	24,000	-	25,957	(49)

24. Financial instruments (continued)

Company	**2011**		2010	
	Gross	**Impairment**	Gross	Impairment
	£000	**£000**	£000	£000
Not past due	**13,473**	**-**	9,505	-
Past due (0-30 days)	**227**	**-**	729	-
Past due (31-120 days)	**200**	**-**	43	-
More than 120 days	**524**	**-**	1,499	-
	14,424	**-**	11,776	-

Movements in impairment provisions are summarised below:

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

As 31 December 2011 the Company had no impairment provision (2010: £nil) and did not provide 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 Company will not be able to meet its financial obligations as they fall due. Liquidity risk exposure arises for the Company principally from trade and other payables, taxation due, and borrowings. The Company monitors working capital and cash flows to ensure liquidity risk is managed. A central treasury function in the UK parent company, VolkerWessels UK Limited, covering all UK subsidiaries ensures bank and intercompany borrowings are maintained at appropriate amounts.

The Company is currently able to self-finance its day–to-day working capital requirements, however there are stand by facilities available, provided to the VolkerWessels UK Limited Group by VolkerWessels Stevin Financial Services bv, if required.

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**	**Contractual cash flows**	**1 year or less**	**Between 1 and 2 years**
	£000	**£000**	**£000**	**£000**
2011				
Trade and other payables	89,841	89,841	89,841	-
Loans and borrowings	3,508	3,557	1,790	1,767
Tax payable	1,585	1,585	1,585	-
	94,934	**94,983**	**93,216**	**1,767**
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	-
	100,862	100,934	98,592	2,342

Company	**Carrying amount**	**Contractual cash flows**	**1 year or less**	**Between 1 and 2 years**
	£000	**£000**	**£000**	**£000**
2011				
Trade and other payables	69,675	69,675	69,675	-
Tax payable	635	635	635	-
	70,310	70,310	70,310	-
2010				
Trade and other payables	77,284	77,284	76,739	545
Tax payable	1,781	1,781	1,781	-
As restated	79,065	79,065	78,520	545

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	2011	2010
	£000	£000
Variable rate instruments		
Financial assets	21,331	34,870
Financial liabilities	(3,508)	(5,262)
	17,823	29,608
Fixed rate instruments		
Financial liabilities	-	(3)

Company	2011	2010
	£000	£000
Variable rate instruments		
Financial assets	13,538	25,991

A change of 100 basis points in interest would either increase or decrease equity by £178,000 (2010: £349,000) for the Group and by £135,000 (2010: £260,000) for the Company.

e) Capital management

The VolkerWessels UK 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 VolkerWessels UK group also centrally manages loan capital invested into the UK group through the Company which it makes available to its subsidiaries as required.

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

25. Cash flows from operating activities

	Group	
	2011	2010
	£000	£000
Profit for the year	**7,564**	7,711
Adjustments for:		
Depreciation, amortisation and impairment	**1,684**	2,050
Financial income	**(768)**	(643)
Financial expense	**610**	555
Loss on sale of PPE	**162**	21
Payments to defined benefit plans	**(555)**	(495)
Taxation	**1,720**	3,473
	10,417	12,672
Increase in trade and other receivables	**(15,272)**	(9,034)
Decrease in inventories	**772**	735
(Decrease)/increase in trade and other payables	**(2,405)**	11,655
	(6,488)	16,028

	Company	
	2011	2010
	£000	£000
Profit for the year	**4,705**	7,748
Adjustments for:		
Depreciation, amortisation and impairment	**1,342**	1,610
Financial income	**(568)**	(474)
Financial expense	**398**	413
Loss on sale of PPE	**103**	-
Dividend income	**-**	(3,671)
Payments to defined benefit plans	**(480)**	(430)
Taxation	**787**	2,071
	6,287	7,267
Increase in trade and other receivables	**(7,817)**	(10,245)
Decrease in inventories	**-**	350
(Decrease)/increase in trade and other payables	**(7,603)**	16,243
	(9,133)	13,615

26. Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Land and buildings				
Less than one year	**609**	933	609	933
Between one and five years	**1,113**	2,596	831	2,018
More than five years	**22**	540	22	540
	1,744	4,069	1,462	3,491
Plant and machinery				
Between one and five years	**-**	50	-	-
	-	50	-	-

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 Company, as a result of a VolkerWessels 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 £6,130,000 (2010: £4,140,000).

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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Emoluments	**1,965**	1,764	**1,722**	1,108
Social security costs	**212**	156	**182**	92
Contributions to money purchase pension plans	**204**	183	**177**	148
	2,381	2,103	**2,081**	1,348

28. Related parties (continued)

Related party transactions with fellow group undertakings

	Group	Company
Amounts owed by undertaking		
At start of year	862	842
Sales	542	542
Receipts	(1,180)	(1,180)
At end of year	**224**	**204**
Amounts owed to undertaking		
At start of year	214	214
Expenses	1,804	5,798
Payments	(1,325)	(4,198)
At end of year	**693**	**1,814**
Loans owed by undertaking		
At start of year	-	-
Draw downs	5,397	5,397
At end of year	**5,397**	**5,397**
Loans owed to undertaking		
At start of year	5,263	-
Draw downs	(739)	985
At end of year	**4,494**	**985**

29. Ultimate parent company and parent undertaking of the 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 results of the company are included in the consolidated financial statements of both Royal Volker Wessels Stevin N.V. and its ultimate parent company Storm Investments B.V. These companies are incorporated in the Netherlands. Copies of the published consolidated financial statements may be obtained from its Amersfoort office: Podium 9, 3826 PA Amersfoort, P.O. Box 2767, 3800 GJ Amersfoort, The Netherlands.

The smallest group in which the results of the Company are consolidated is that headed by VolkerFitzpatrick Limited, the largest UK group in which the results of the Company are consolidated is that headed by VolkerWessels UK Limited. Both VolkerFitzpatrick Limited and VolkerWessels UK Limited are incorporated in England. Copies of their 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 of revenue 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.