VolkerFitzpatrick

VolkerFitzpatrick Limited

Annual Report and Consolidated Financial Statements

Registered number 02387700

31 December 2014

Contents

Directors
RA Offord
(Managing Director)

NA Connell
C Humphrey
AR Robertson
J Suckling
MG Woods
VolkerWessels UK Limited

Auditors
Deloitte LLP
2 New Street
London
EC4A 3BZ

Registered Office
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Regional Offices

Riverpoint House
London Road
Sevenoaks Kent
TN13 2DN

Furzehall Farm
Wickham Road
Fareham
Hampshire
PO16 7JH

Minerva Business Park
Lynch Wood
Peterborough
PE2 6FT

3500 Birmingham
Business Park
Birmingham
B37 7YG

9 St Clare Street
London
EC3N ILQ

Registered Number
02387700

Principal Bankers

Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

BNP Paribas Fortis
10 Harewood Avenue
London
NW1 6AA

Principal activities

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

VolkerHighways, a subsidiary company of VolkerFitzpatrick, provides highways maintenance and related services.

Business review

Economic conditions for contracting companies improved in 2014, with a large proportion of projects now coming to market through two stage tenders. However, pricing remains competitive and there are now a number of other challenges including supply chain capacity, price inflation, and attracting and retaining staff. The successful implementation of the Experience Excellence programme has improved the focus and business drivers within VolkerFitzpatrick which has contributed to the upturn in performance and achieving our mission statement 'Working together to Experience Excellence for our Clients and our Team'.

Revenues increased by around 13% in 2014, driven predominantly by a number of large contracts in VolkerFitzpatrick that had been secured in previous years, including the Thameslink Rolling Stock Depots and the Intercity Express Programme Depots along with a number of significant industrial projects at both the Daventry Intermodal Rail Freight Terminal (DIRFT) and London Gateway Port. The London Highway Alliance Contract (LoHAC) in VolkerHighways also entered its second year with increased activity levels.

The Group has continued its clear focus on the selection of high quality opportunities to tender with blue chip and public sector clients. Whilst the secured order book has reduced, due to the successful delivery of some of our largest contracts that were secured in prior years, our secured and probable order book remains consistently above £1bn and contains a number of good projects that are currently being negotiated or are at second stage tender.

In overall terms, the Group delivered improved gross and operating profit margins, and a strengthened balance sheet, with a strong cash performance.

The financial highlights of the Group are as follows:

	2014	2013
	£000	£000
Revenue	**515,773**	460,256
Gross profit	**34,820**	27,925
Gross profit margin	**6.8%**	6.1%
Operating profit	**7,976**	6,257
Operating profit margin	**1.5%**	1.4%
Net cash	**60,212**	32,914
Net assets	**48,226**	44,970
Forward secured order book	**673,209**	822,739
Secured and probable order book	**1,019,319**	1,144,076

VolkerFitzpatrick

Founded in 1921, VolkerFitzpatrick has a long heritage of delivering excellence for its clients. Today, VolkerFitzpatrick is a multi-disciplinary contractor with a strong track record of delivering demanding, high quality projects, often to fast-track programmes and in challenging 'live' environments. Much of our work is repeat business, based on a record of successfully delivered contracts. We bring together the specialist building, civil engineering and industry focussed skills from across our business in integrated teams to deliver complex projects in a range of market sectors including commercial, industrial and distribution, education, rail, airport, environmental, energy and other infrastructure.

Rail Depots

Major rail depot projects bring together all of VolkerFitzpatrick's skills in civil engineering, building and rail. Our unique approach of creating an integrated project team from our in-house specialists provides genuine client benefits including reduced management costs, a single point of responsibility, and better integration and interface of the civil engineering, building and rail elements of the project.

Construction activities on the two new train care depots for Siemens, as part of the Thameslink Rolling Stock Project, made significant progress in 2014. The Three Bridges depot, which is split either side of the London to Brighton mainline, will be completed to programme in 2015. The Hornsey depot team successfully managed a complex 90 hour possession over the Christmas period, handing back on time with all planned works completed. The redevelopment of the Hornsey depot, which will be completed in 2016, is being undertaken within a live rail environment in four phases to accommodate train berthing and use of existing facilities by transport operator, First Capital Connect.

The Ilford Yard Stabling Project for Crossrail will provide additional stabling facilities, adjacent to the Great Eastern Main Line between Ilford and Seven Kings. The works include the detailed design, construction and commissioning of new berths for Crossrail trains and the depot will not only be vital for Crossrail's operation but will also create job opportunities during construction and up to 90 jobs once the depot upgrades have been completed in 2016.

We also made significant progress in 2014 on the three rail depots for Hitachi's new Super Express Trains on the Intercity Express Programme. The projects comprise the redevelopment of an existing depot facility in West London (which was completed in 2014), and the construction of two new depots in Bristol and Swansea which will be completed in 2015. We also commenced work on a further train care depot for Hitachi in Doncaster which will provide stabling and maintenance for trains on the East Coast Mainline.

Rail Infrastructure

VolkerFitzpatrick has been working in partnership with the Network Rail Investment Programme Team and sister companies VolkerRail and VolkerLaser to provide integrated solutions for Network Rail through the Multi-Functional Framework in the Anglian Region as part of the Control Period 5 (CP5) programme – a five year framework that commenced in April 2014. During the year our specialist team began work on 21 new projects under CP5, whilst bringing to a conclusion 14 projects under the previous Control Period 4 (CP4) Multi-Asset Framework that ended in March 2014.

Major works to Gatwick Station were completed in 2014 with the opening of a new platform and improved concourse, as well as upgrades to key elements of the stations' infrastructure. At Palmerston Road, near Walthamstow, we completed reconstruction of a bridge over the railway under a design and construct contract for Network Rail through our MAFA Framework under CP4.

Over the Christmas period key works took place at two sites in Tottenham. In Lea Valley our teams took full possession of Span 35 of the railway viaduct, a single span structure carrying the route's two-track, non-electrified railway, demolishing it and jacking the new bridge into position during a single possession lasting 100 hours. Less than a mile away our other team, on the A10 Tottenham High Road Bridge Replacement Project, also used the Christmas period to complete the final aspects of the bridge replacement works during a 67 hour possession and road closure.

Airport

With experience in the airport construction and maintenance sector that goes back over 60 years we offer airfield operators a wide range of design and build capabilities, from rehabilitation of runways, construction of new taxiways and buildings through to delivery of airport maintenance and infrastructure, both land and airside.

Utilising our own batching plants and pavers to lay Pavement Quality Concrete we work within tight time frames minimising lead times to reduce the impact of our works on customers and end users. 2014 saw the delivery of the new runway extension at Birmingham Airport and we also delivered significant airfield infrastructure schemes at Glasgow and Aberdeen airports.

Two further contracts were also undertaken through our framework contract at Gatwick airport, namely the new flood alleviation water storage reservoir project and the construction of two new security access facilities.

In the defence sector, our paving team continued to excel on the United States Air Force term maintenance contract. Projects included capital construction works to the airfield, roads and infrastructure as well as infrastructure maintenance on various locations within the UK.

Roads and Highways

Covering the full range of road and highways schemes from Section 278 works to new greenfield bypass projects, VolkerFitzpatrick has extensive experience in this key sector. Our asphalt 'neutrality' means that we can offer competitive solutions for pavement options including self-delivered cement based Cement Bound Granular Material (CBGM). Using in-house engineers and preferred supply chain partners, we offer a full turn-key service from design through to delivery that covers traffic management, earthworks, drainage, utilities, landscaping, fencing and lighting.

VolkerFitzpatrick, in conjuction with Luton Borough Council, successfully delivered their Town Centre Improvement Scheme, and we are approaching completion of improvements to the M1 Junction 10a which includes an in-situ concrete underpass. We have been appointed as a contractor on the Highways Agency Collaborative Delivery Framework (CDF) and also successfully secured a place on the Birmingham City Council Highways and Infrastructure framework, as well as a place on Warwickshire County Council Highways framework.

Following our successful delivery of the M275 Tipner Interchange for Portsmouth City Council in 2013, we have been appointed to deliver the infrastructure for the Dunsbury Hill Farm development.

Bridges and Structures

VolkerFitzpatrick have been constructing road bridges, footbridges, rail bridges, culverts, underpasses, retaining walls and complex reinforced concrete structures for over 40 years as part of its infrastructure services. Our engineers specialise in solving difficult access or ground condition problems and have a proven track record of delivery within tight timescales. Our detailed planning techniques and collaborative working methods enable us to produce programme certainty and a quality product for our valued customers across the public and private sectors.

In 2014 we delivered several bridges, structures and associated civils including a new bridge on the Luton Town Centre Transport scheme, and one over the Thameslink line, that was installed during the Christmas possession window. On the Daventry Intermodal Rail Freight Terminal we installed a bridge over the A428 which included future proofing for the road to be dualled at a later date.

Ports and Marine

VolkerFitzpatrick have had a longstanding relationship with the Port of Felixstowe. In 2014 we completed a further phase of the container storage area. In collaboration with sister company VolkerStevin and dredging company Boskalis we have been appointed to build a new jetty for the port.

We have also been engaged by Dubai Ports World for further highway infrastructure works as part of their major investment programme in Essex after previously delivering an access road and bridge contract at London Gateway Port in Shellhaven.

Regeneration and Environmental

With the increasing shortage of greenfield development, VolkerFitzpatrick's capacity to assist with the restoration of brownfield sites for its repeat business customers has been a natural part of its value-adding service. Working across both public and private sector, VolkerFitzpatrick has continued to work on a number of these projects at Greenwich, Hoe Valley, Wembley and on a major urban infrastructure scheme at Lewisham.

2014 saw us secure a number of contracts in the waste and renewable energy sector. We are delivering the new Milton Keynes Residual Waste Treatment Facility for AmeyCespa. The facility will bring together three different state-of-the-art technologies to make the most of waste from households and businesses by recycling, composting and gasification to generate power. We are also now working with Chinook Urban Mining, delivering the infrastructure for their new gasification plant at the London Sustainable Infrastructure Park in Dagenham.

Commercial Building

VolkerFitzpatrick has developed an impressive track record in high quality office projects having delivered projects with a combined value of £160m over the last 5 years.

In the last 2 years we have developed further in the Central London market and in 2013 we completed 17-23 Bentinck Street in London W1 for Howard de Walden Estates. The Bentinck Street project involved the design and build of 35,000ft^2. of office and three luxury apartments on six floors including a basement. The construction involved a retained façade and building over the Jubilee line. A BREEAM rating of 'Excellent' was achieved. Howard de Walden Estates has now awarded VolkerFitzpatrick three further major office projects. Two started on site in 2014 and the third starts later in 2015.

In 2013, we also completed 62,000 ft^2 new build commercial offices in Staines for Aberdeen Asset Management. This again led directly to two further major office projects through referrals by the client's professional team, both of which will start on site in 2015.

Industrial & Distribution

Our building division has been a market leading contractor in the construction of major industrial and distribution facilities over 20 years. This last year saw an upturn in this sector and we continued our close relationships with the UK's top industrial and distribution developers including the award of a project for ProLogis in Daventry.

This project, which started in 2013 and will complete in early 2015, is a civil engineering and building contract utilising our combined resources for the construction of a 1,000,000 ft^2 distribution unit including all external works and an intermodal rail facility together with the management of the highly complex fit out for the tenant, Sainsburys.

We also commenced a project, again for ProLogis in Daventry that completes in July 2015. The project is a 400,000 ft^2 distribution unit, and similarly to above includes all external works and an intermodal rail facility.

In addition to the above our building division also worked on a number of innovative projects during the year. One of these was the design and build of a new research and development imaging facility for our client Elekta. A key element of this work was the construction of a number of concrete reinforced radiation shielding bunkers, completely bespoke for this purpose, and demanding of our team to challenge themselves both in terms of scale of the concrete pouring process, and in working to a fine degree of design tolerance.

The building division also worked for Network Rail during 2014, constructing a new Rail Operating Centre at Romford. This highly technical building will control all signalling and fault reporting across the Greater Anglia region, employing some 450 staff around the clock. The necessity for back-up systems and power supplies along with the need to address any potential terrorist threats made this a technically challenging project for our team, but one which also faced the logistical challenges of working adjacent to a live rail line and on a site occupied operationally by the client.

Special Projects

Our Special Projects team is part of our building division providing construction services for projects of up to £3m. The increase in demand for smaller projects has seen many of our established clients asking us to cater for smaller value contracts; these include Royal Mail, Veolia Environmental Services and the London Borough of Hillingdon. Newer clients include the Rugby Football Union and brewer, Shepherd Neame. In 2014, the team also secured the Royal Mail's TP2 framework, which will consist of up to £15m of small refurbishment and upgrade projects across 18 Royal Mail sites in the South of England. Close collaboration with the client in developing solutions to meet their objectives was a key feature of winning this work, and our approach was highly valued by their management team.

At Penny Hill Park, on behalf of the Rugby Football Union, the Special Projects team was responsible for the design and delivery of a new state of the art indoor training facility for the England Elite Rugby Team. In addition to meeting the client's specific design requirements for this new facility, including a 40m^2 3G grass pitch, the site is located within the grounds of an exclusive 5 Star Hotel which called for careful planning during the construction phase in order to minimise disruption to the hotel guests and keep the work as discrete as possible.

Health, Safety & Quality

The health, safety and welfare of our employees, supply chain partners and members of the public is a core value of our business. Our behavioural change programme, Incident and Injury Free (IIF), has driven down our Accident Frequency Rate which is in the top quartile of the construction industries best performing companies. We have seen exceptional results across the business with the most notable being:

- A period of 4 million man hours completed without a RIDDOR reportable accident
- 500 days worked on the Ilford Yard Stabling Project without a lost time accident
- 1 million man hours worked at the Thameslink Hornsey depot without a RIDDOR reportable accident
- Numerous other projects completed without any accidents

Also, the continued focus on hazard, near misses and close calls has seen a 50% increase in reporting with over 6,000 reports raised. This together with sustained improvement in our Considerate Constructors Score (our average being almost 10% above the industry norm) has again raised our standards and continue to make our sites safer places to work.

Our quality improvement strategy launched in 2012, which is an integral part of our Experience Excellence programme, has driven improvements in our use of benchmarks and management of the risks to quality of our finished product. We have seen significant reduction in the number of Non Conformance Reports (NCR's) raised and an increase in work produced Right First Time.

We are always delighted when our project teams and business is recognised by our industry, and in 2014 we received a number of awards and commendations including:

- RoSPA Gold Medal award received for the 6th consecutive year
- The Bond Dickinson CIWM award for the sustainable construction and development of the IEP Swansea Depot
- British Construction Industry Health & Safety Award (Winner for Reading Train Care Depot)
- Concrete Society Award Certificate of Excellence for University Square, Stratford
- RICS West Midlands Award for Infrastructure (Shortlisted for A45 Corridor Improvement)
- British Safety Council International Safety Award for IEP Train Care Depot, Stoke Gifford
- Considerate Constructors National Award (Gold for Prologis Park Plots I & J1, Coventry)
- ICE Engineering Excellence Award for Project Management (Winner for M275 Tipner Interchange)
- ICE Engineering Excellence Award (Shortlisted for Reading Train Care Depot)
- ICE Merit Award for Team Achievement (Merit for London Gateway Port Access Roads & Bridge)
- ICE Merit Award for Physical Achievement (Highly Commended for London Gateway Port Access Roads & Bridge)
- ICE Merit Award for Technical Excellence & Innovation (Highly Commended for Port of Felixstowe Third Rail Terminal)

VolkerHighways

Projects

Hackney Extension

During 2014, the London Borough of Hackney awarded VolkerHighways its full term extensions totalling four years and taking our partnership with Hackney to 2019. The award was based upon our performance and the value for money service we deliver to the communities within Hackney.

Luton Traded Services Infrastructure (LTSi)

Working with Luton Borough Council, we have assisted in protecting jobs within their design teams. LTSi offers design and delivery across a range of infrastructure projects. LTSi partnership received commendation and merit awards at the 2014 CHIT awards and Highways Magazine Excellence awards.

CVU – London Highways Alliance Contract

During 2014 we completed over 250,000m^2 of surfacing within central London, including main arterial roads within Bishopsgate in the City of London, Streatham Hill in Lambeth and Seven Sisters Road in Islington.

We also completed accident repair and refurbishment works on Westminster Bridge. Following a significant strike by a vessel on the River Thames, CVU repaired and replaced parapets and original Victorian cast iron panels through a six week series of night-time works that included scaffolding down from the parapets to the water.

South West Highways Alliance Framework

VolkerHighways was successful in all five service lots for the South West Highways Alliance Flood Alleviation and Resilience Framework. This framework will over the next four years deliver repairs and new treatments to the road network impacted by the severe flooding in quarter 1 of 2014.

M1 Junction 10a

Working with VolkerFitzpatrick, Luton Borough Council and the Highways Agency, VolkerHighways Surfacing division delivered on road construction and surfacing as part of the M1 junction 10a improvement project.

Street Lighting

Supporting VolkerFitzpatrick's DP World Park Infrastructure project, VolkerHighways Street Lighting division secured new lighting installations for the park. The teams also replaced 8,000 old SOX/ SON lighting units with LED units in a project with the London Borough of Havering.

Quality

SMART

Our Strategic Management and Recording Tool, SMART, is the result of three years of investment and development, working collaboratively with clients to develop a bespoke works order system that meets the specific needs of our clients and our business. During 2014 SMART was rolled out across substantially all of our highways contracts.

SMART integrates market leading technologies to deliver a tool that supports the business' end-to-end works order process and workforce management. The advanced system uses graphical planning and programming tools to automatically schedule works based on client response priorities and a geographically efficient programme that reduces travelling time, and therefore our environmental impact. It records all works related information in one place, radically reducing the amount of paperwork. It is a unique product in the industry due to its ability to intelligently programme new and emergency jobs, and interface with client systems.

Luton Depot

In 2014 we moved to a co-located depot with our client, Luton Borough Council. This new depot sees the introduction of a new salt barn and extended recycling areas along with co-located staff and hot-desks. The new depot has facilitated an enhanced one team approach to service delivery.

National Electrical Registration Scheme (NERS)

In 2013 we successfully joined NERS to allow VolkerHighways to project manage electrical connections. During 2014 this investment paid great dividends to our clients as we now have greater certainty of programme when connecting and disconnecting power sources from electrical assets. Previously, we and the client were required to wait on the power provider, installing, maintaining or disposing of electrical assets. Our accreditation through NERS enables us to perform these elements of work independently, to enable budget and programme certainty. We are delighted that this service is now being delivered across all our highways contracts with electrical elements. This has led to our first significant project under NERS for the London Borough of Camden to disconnect and de-commission 700 parking meters.

London Borough of Camden Surfacing

VolkerHighways, under its term maintenance contract with the London Borough of Camden, has been working with the Council and our supply chain to design suitable solutions for bitumen surfacing to meet the traffic needs of the hard standing and access areas of the Councils Housing stock. Normal Highways Design Manual mixes and layer depths were highly specified and we have used our expertise to moderate designs and mixes to meet the requirements of this specialist network, delivering lower cost solutions which give the Council better value for money.

Awards and Commendations

VolkerHighways received a number of awards and commendations in the year:

VolkerHighways won a Gold Medal Achievement Award from the Royal Society for the Prevention of Accidents (RoSPA) for its progressive approach to occupational health and safety. The award was given in recognition of five consecutive years of continuous improvement reflected in our improved safety performance.

We continued our support for the Considerate Constructors Scheme, with all VolkerHighways term maintenance contracts taking part. The scheme focuses on health & safety, environment, community and corporate responsibility. Our scores, average 40 out of 50, as compared to national average of 35.77. Our London Borough of Hackney contract received its third award in three years picking up a bronze award.

Our Apprenticeship scheme is an investment in young talent for the future. The scheme challenges apprentices beyond the normal two year NVQ level 2 scheme; by adding an additional two years training. This additional training fulfils our apprentices longer term ambitions, giving them opportunities to explore other areas of service delivery such as business development, quantity surveying and project management within the VolkerWessels UK group. The scheme received a commendation at the CIHT national awards in 2014.

Forward order book

At 31 December 2014 the Group’s secured order book stood at £673 million; including Probable projects (which are those that we assess as being more than 90% certain) this increases to £1,019 million.

Major contract wins in the year included a fourth Intercity Express Depot for Hitachi at Doncaster, further works at DIRFT comprising a major fit out for Sainsbury’s and another distribution facility for ProLogis. In addition, we won the contract to remodel Lewisham Town Centre and have secured a number of works on the Greenwich Peninsula development and the TP2 framework with Royal Mail.

Going concern

Given the Group's net cash position and the strength of the forward secured order book, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future (see note 2.3 for further details).

Risk management

Risk management is the foundation of our management approach whereby we actively identify and manage our risks across our operations. In particular, the group works very closely with its clients at both pre and post contract stages to ensure that risks are understood, managed and clearly apportioned, which is the bedrock of any successful project. Key areas include:

Risk area	**Our approach**
Health, safety and quality	Our approach is to ensure the Group has effective systems in place to mitigate, as far as possible, the risks inherent in the construction process and deliver quality projects in a safe, sustainable and healthy manner.
People	Long term success is dependent on the recruitment, training and retention of the correct personnel. This is essential in order to maintain our ability to perform in highly competitive and fast moving sectors. Our policy is to challenge and motivate our staff to deliver the best possible outcome for both our clients and business.
Pre-construction	Our aim is to match clients' expectations in all respects and we systematically review and challenge the quality of our submissions and pricing through a focussed, risk based approach to tendering.
Construction	We actively ensure that the appropriate employee and supply chain skills are available and that suitable quality components are procured at the correct price through sustainable and ethical sourcing wherever possible. Risk is actively and openly managed through the entire construction process.
Environment	Construction has a significant effect on the environment, therefore it is essential that our operational impacts are, as far as possible, positive in this regard and our approach is set out in our Corporate Responsibility Policy, which is regularly monitored and reviewed.
Information technology	Our strategy in technology is to ensure we have suitable systems in place so that, as far as possible, information flows throughout the organisation and that the risk of system loss is mitigated by appropriate contingency plans.
Insurance	We ensure suitable arrangements exist to underpin and support all of the operations and services in which we operate. Working closely with our insurers we regularly review our position to ensure that the optimum cover is in place.
Credit risk	Even more than ever, in the current economic climate, it is essential to fully understand the financial position of our partners in all of our contractual relationships.
Fraud	Our Integrity Policy covers all aspects of ethical behaviour and this is a key foundation of our approach. We have a zero tolerance attitude towards fraud and unethical behaviour in any sense of the term and we have set up a number of specific preventative and review controls, which our compliance officer and members of the Executive Committee review regularly.

Financial risk management is discussed in note 23 of these financial statements.

Corporate Responsibility

Socially responsible behaviour is critical to a sustainable business strategy. The Group's overall performance is underpinned by integrating this behaviour into the organisation and upholding good corporate governance. We have established a clear framework that focuses on the four key areas of Marketplace, Workplace, Environment and Community. These four elements are subdivided into themes that act as objective areas against which we monitor our performance. The organisational governance of our Corporate Responsibility policy 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 to the environments 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 that are supported by our 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 of service, and to carefully select new opportunities with clients who we wish to work with who are aligned to our core values 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 audits of our activities to develop various management systems and employees.

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

Supply chain management

Supply chain management is an integral part of the Group's commitment to offering our clients a quality service. We establish mutually rewarding, on-going relationships with our suppliers and sub-contractors, and today work with many organisations with which we have a long and successful history of co-operation. Our supply chain partners are thoroughly assessed against a number of strict but practical criteria including health & safety performance, design and technical capability, financial strength and ethical working practices.

VolkerFitzpatrick Limited, as part of the VolkerWessels UK Group, is a signatory to the Prompt Payment Code sponsored by the Department for Business, Innovation & Skills. As a signatory we undertake to:

- Pay suppliers on time
  - Within the terms agreed at the outset of the contract
  - Without attempting to change payment terms retrospectively
  - Without changing practice on length of payment for smaller companies on unreasonable grounds

- Give clear guidance to suppliers
  - Providing suppliers with clear and easily accessible guidance on payment procedures
  - Ensuring there is a system for dealing with complaints and disputes which is communicated to suppliers
  - Advising them promptly if there is any reason why an invoice will not be paid to the agreed terms

- Encourage good practice
  - By requesting that lead suppliers encourage adoption of the code throughout their own supply chains

We also frequently adopt and adhere to contract or client specific fair payment charters.

By order of the Board

RA Offord
Director

26 March 2015
Company registered number: 02387700

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

The Directors present their Directors' Report and financial statements for the year ended 31 December 2014.

Results and dividends

The profit for the financial year after taxation was £6,666,000 (2013: £4,905,000). An interim dividend of £1,000,000 was paid in 2014 (2013: £nil). A final dividend of £2,500,000 was approved and paid before the balance sheet date (2013: £3,000,000).

A resolution will be considered at the Board Meeting on 26 March 2015 to approve a dividends of £8,000,000.

Directors

The directors who held office during the year were as follows:

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

Directors' indemnities

The Group has arranged qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 employees' 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.

Political and charitable contributions

The Company made knowledgeable charitable donations of £32,861 in 2014 (2013: £7,264). Neither the Company nor any of its subsidiaries made any knowledgeable political donations or incurred any political expenditure during the year (2013: £nil).

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

RA Offord
Director

26 March 2015

Company registered number: 02387700

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Statement of Directors' Responsibilities in Respect of the Strategic Report, Directors' Report and the Financial Statements
Year ended 31 December 2014

The directors are responsible for preparing the Strategic Report, Directors' Report and the Group and parent company 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 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 IFRS, 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 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Cash Flow Statements, the Consoldiated and Parent Company Statements of Changes in Equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 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 European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- 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 Strategic Report and 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.

Andrew J Kelly FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

26 March 2015

VolkerFitzpatrick Limited
Consolidated Income Statement
for the year ended 31 December 2014

	Note	**2014**	2013
		£000	£000
Revenue	*3*	**515,773**	460,256
Cost of sales		**(480,953)**	(432,331)
Gross profit		**34,820**	27,925
Administrative expenses		**(26,844)**	(23,757)
Other operating income	*4*	**-**	2,089
Operating profit	*5*	**7,976**	6,257
Financial income	*8*	**388**	168
Financial expense	*9*	**(25)**	(254)
Profit before tax		**8,339**	6,171
Taxation	*10*	**(1,673)**	(1,266)
Profit for the year		**6,666**	4,905
Profit attributable to:			
Equity holder of the parent company		**6,666**	4,905
		6,666	4,905

All results derive from continuing operations.

The profit for the parent company for the year was £5,752,000 (2013: £7,361,000).

The notes on pages 24 to 59 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Profit for the year		**6,666**	4,905
Other comprehensive income			
Actuarial gains on defined benefit pension plans	*20*	**113**	91
Tax recognised on actuarial gains		**(23)**	(21)
Other comprehensive income for the year, net of income tax		**90**	70
Total comprehensive income for the year		**6,756**	4,975
Total comprehensive income attributable to:			
Equity holder of the parent company		**6,756**	4,975
		6,756	4,975

The notes on pages 24 to 59 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
at 31 December 2014

	Note	2014	2013
		£000	£000
Non current assets			
Property, plant and equipment	*11*	**900**	924
Intangible assets	*12*	**2,068**	2,011
Trade and other receivables	*16*	**9,123**	5,407
Deferred tax assets	*14*	**262**	254
Employee benefits	*20*	**3,595**	3,155
		15,948	11,751
Current assets			
Inventories	*15*	**118**	104
Trade and other receivables	*16*	**128,960**	126,422
Cash and cash equivalents	*17*	**60,212**	32,914
		189,290	159,440
Total assets		**205,238**	171,191
Equity attributable to equity holder of the parent			
Share capital	*21*	**6,000**	6,000
Retained earnings		**42,226**	38,970
Total equity		**48,226**	44,970
Non current liabilities			
Deferred tax liabilities	*14*	**720**	630
Total non current liabilities		**720**	630
Current liabilities			
Trade and other payables	*18*	**151,832**	125,010
Provisions	*19*	**3,057**	-
Tax payable		**1,403**	581
Total current liabilities		**156,292**	125,591
Total liabilities		**157,012**	126,221
Total equity and liabilities		**205,238**	171,191

The notes on pages 24 to 59 form an integral part of the consolidated financial statements.

These financial statements were approved by the board of directors on 26 March 2015 and were signed on its behalf by:

RA Offord
Director

Company registered number: 02387700

VolkerFitzpatrick Limited
Company Statement of Financial Position
at 31 December 2014

	Note	2014	2013
		£000	£000
Non current assets			
Investments	*13*	**7,178**	7,178
Trade and other receivables	*16*	**8,660**	4,919
Deferred tax assets	*14*	**5**	55
Employee benefits	*20*	**2,617**	2,399
		18,460	14,551
Current assets			
Trade and other receivables	*16*	**114,778**	109,211
Cash and cash equivalents	*17*	**56,985**	25,178
		171,763	134,389
Total assets		**190,223**	148,940
Equity attributable to equity holder of the company			
Share capital	*21*	**6,000**	6,000
Retained earnings		**36,795**	34,562
Total equity		**42,795**	40,562
Non current liabilities			
Deferred tax liabilities	*14*	**523**	480
		523	480
Current liabilities			
Trade and other payables	*18*	**142,594**	107,375
Provisions	*19*	**3,057**	-
Tax payable		**1,254**	523
		146,905	107,898
Total liabilities		**147,428**	108,378
Total equity and liabilities		**190,223**	148,940

The notes on pages 24 to 59 form an integral part of the consolidated financial statements.

These financial statements were approved by the board of directors on 26 March 2015 and were signed on its behalf by:

RA Offord
Director

Company registered number: 02387700

VolkerFitzpatrick Limited
Consolidated Statement of Changes in Equity
at 31 December 2014

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2013	6,000	36,995	42,995
Comprehensive income			
Profit for the year	-	4,905	4,905
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	70	70
Transactions with owners			
Dividends payable	-	(3,000)	(3,000)
Balance at 31 December 2013	**6,000**	**38,970**	**44,970**
Balance at 1 January 2014	6,000	38,970	44,970
Comprehensive income			
Profit for the year	-	6,666	6,666
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	90	90
Transactions with owners			
Dividends payable	-	(3,500)	(3,500)
Balance at 31 December 2014	**6,000**	**42,226**	**48,226**

The notes on pages 24 to 59 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Statement of Changes in Equity
at 31 December 2014

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2013	6,000	30,144	36,144
Comprehensive income			
Profit for the year	-	7,361	7,361
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	57	57
Transactions with owners			
Dividends payable	-	(3,000)	(3,000)
Balance at 31 December 2013	**6,000**	**34,562**	**40,562**
Balance at 1 January 2014	6,000	34,562	40,562
Comprehensive income			
Profit for the year	-	5,752	5,752
Other comprehensive expense			
Actuarial (losses)/gains on defined benefit pension plans, net of tax	-	(19)	(19)
Transactions with owners			
Dividends payable	-	(3,500)	(3,500)
Balance at 31 December 2014	**6,000**	**36,795**	**42,795**

The notes on pages 24 to 59 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Cash flows from operating activities	*24*	**31,539**	13,305
Interest paid		**(25)**	(198)
Tax paid		**(533)**	(2,519)
Net cash from operating activities		**30,981**	10,588
Cash flows from investing activities			
Proceeds from sale of plant, property and equipment		**-**	206
Interest received		**242**	42
Acquisition of plant, property and equipment		**(199)**	(806)
Acquisition of intangible fixed assets		**(226)**	(640)
Net cash from investing activities		**(183)**	(1,198)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(3,500)**	(4,000)
Net cash from financing activities		**(3,500)**	(4,000)
Net increase in cash and cash equivalents		**27,298**	5,390
Cash and cash equivalents at 1 January		**32,914**	27,580
Effect of exchange rate fluctuations on cash held		**-**	(56)
Cash and cash equivalents at 31 December	*17*	**60,212**	32,914

The notes on pages 24 to 59 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Cash flows from operating activities	*24*	**35,717**	6,573
Interest paid		**(25)**	(199)
Tax paid		**(617)**	(1,202)
Net cash from operating activities		**35,075**	5,172
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**-**	192
Interest received		**232**	8
Dividends received		**-**	4,000
Acquisition of property, plant and equipment		**-**	(335)
Acquisition of intangibles		**-**	(347)
Net cash from investing activities		**232**	3,518
Cash flows from financing activities			
Dividends to Company's shareholders		**(3,500)**	(4,000)
Net cash from financing activities		**(3,500)**	(4,000)
Net increase in cash and cash equivalents		**31,807**	4,690
Cash and cash equivalents at 1 January		**25,178**	20,544
Effect of exchange rate fluctuations on cash held		-	(56)
Cash and cash equivalents at 31 December	17	**56,985**	25,178

The notes on pages 24 to 59 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 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 Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 10. In addition, note 23 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.

The Group meets its day-to-day working capital requirements through the group treasury management provided by VolkerWessels UK Limited (see note 23(c)).

Given the Group's net cash position and the strength of the forward secured order book, the Directors have a reasonable expectation that the Group and 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.

2.5. 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 Accounting policies (continued)

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 motor vehicles:	4-6 years
Furniture, 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

2.9. Operating leases

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 Accounting policies (continued)

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 note 2.19) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects 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 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 virtually 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.

2.12. 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 (i.e. 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 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.

2.15. 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 note 2.6). 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.

2.17. 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 **Accounting policies (continued)**

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 contracts

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.

2.20. 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 Accounting policies (continued)

2.21. Adopted IFRSs not yet applied

In the current year, the new and revised Standards and Interpretations adopted did not have a material impact to these financial statements.

The following adopted IFRSs (by the European Union) 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:

- Annual Improvements to IFRSs: 2011-13 Cycle (mandatory for year commencing on or after 1 January 2015).
- Annual Improvements to IFRSs: 2010-12 Cycle (mandatory for year commencing on or after 1 February 2015).
- IAS 19 (amendments) '*Defined benefit plans: Employee contributions*' (mandatory for year commencing on or after 1 February 2015).
- IFRS 9 '*Financial Instruments*' (mandatory for the year commencing on or after 1 January 2018).
- IFRS 14 '*Regulatory Deferral Accounts*' (mandatory for the year commencing on or after 1 January 2016).
- IFRS 11 (amendments) '*Joint Arrangements*' (mandatory for the year commencing on or after 1 January 2017).
- IAS 16 and IAS 38 (amendments) '*Clarification of Acceptable Methods of Depreciation and Amortisation*' (mandatory for the year commencing on or after 1 January 2016).
- IAS 16 and IAS 41 (amendments) '*Agriculture - Bearer Plants*' (mandatory for the year commencing on or after 1 January 2016).
- IAS 27 (amendments) '*Equity Method in Separate Financial Statements*' (mandatory for the year commencing on or after 1 January 2016).
- IAS 10 and IAS 28 (amendments) '*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*' (mandatory for the year commencing on or after 1 January 2016).

Standards and Interpretations which have been issued but not yet adopted by the European Union are not expected to have a material impact on the financial statements in future periods.

3 Revenue

Revenues are comprised as follows:

	2014	2013
	£000	£000
Construction contract revenues	**446,935**	390,905
Service contract revenues	**68,838**	69,351
Total revenues	**515,773**	460,256

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

4 Other operating income

	2014	2013
	£000	£000
Profit on disposal of property, plant and equipment	**-**	2,089

On 31 December 2013 VolkerFitzpatrick Limited sold the property, plant and equipment and intangible assets that are used in providing shared services to the VolkerWessels UK Group to VolkerServices Limited. This generated a profit on disposal of £2,077,000.

5 Operating profit

Operating profit is stated after charging:

	2014	2013
	£000	£000
Depreciation of plant, property and equipment		
- owned assets	**224**	1,339
Amortisation of intangible assets	**169**	503
Operating lease charges		
- other	**871**	977
Auditor's remuneration		
- audit of these financial statements	**110**	112
- audit of financial statements of subsidiaries	**40**	48

During 2013, VolkerWessels UK Limited agreed to fully accept and discharge the net financial obligations and benefits in relation to a major contract claim and related insurance recovery, in which matter it has been instructing the remediation and legal recovery action since 2012. This resulted in a credit of £1,070,000 being recognised within cost of sales during 2014 (2013: £1,896,000).

6 Staff numbers and costs

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

	2014	2013
	No	No
Management & administrative	**119**	324
Operational	**750**	809
	869	1,133

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	**50,180**	55,987
Social security costs	**5,264**	6,060
Contributions to defined contribution plans	**3,208**	3,266
	58,652	65,313

7 Directors' remuneration

	2014	2013
	£000	£000
Directors' emoluments	**635**	1,952
Company contributions to money purchase pension plans	**98**	224
	733	2,176

The emoluments of the highest paid Director were £295,000 (2013: £533,000) and company pension contributions of £34,000 (2013: £50,000) were made to a money purchase scheme on their behalf.

Only 3 directors are remunerated through the Group (2013: 6). The other directors are remunerated through other group companies.

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

	2014	2013
	No	No
Money purchase schemes	**3**	6

8 Financial income

	2014	2013
	£000	£000
Interest income on short-term bank deposits	**242**	42
Net interest on the net defined benefit assets	**146**	126
Total financial income	**388**	168

9 Financial expense

	2014	2013
	£000	£000
Interest on borrowings	**25**	198
Net foreign exchange loss	-	56
Total financial expense	**25**	254

10 Taxation

a) Analysis of the tax recognised in the income statement

	2014	2013
	£000	£000
Current tax expense		
UK corporation tax:		
Current year	**1,722**	913
Adjustments for prior periods	**(55)**	(217)
Foreign tax:		
Adjustments for prior periods	**(53)**	223
Current tax expense	**1,614**	919
Deferred tax expense (see note 14)		
Origination and reversal of temporary differences	**167**	424
Change in tax rate	**-**	(49)
Adjustments for prior periods	**(108)**	(28)
Deferred tax expense	**59**	347
Total tax expense	**1,673**	1,266

10 Taxation (continued)

b) Reconciliation of effective tax rate

	2014	2013
	£000	£000
Profit for the year	**6,666**	4,905
Total tax expense	**1,673**	1,266
Profit before taxation	**8,339**	6,171
Tax using the UK corporation tax rate of 21.50% (2013: 23.25%)	**1,793**	1,435
Effects of:		
Expenses not deductible for tax purposes	**96**	79
Effect of research and development tax credit	**(6)**	(72)
Effect of change in tax rate	**10**	(49)
Adjustments for prior years	**(216)**	(22)
Other	**(4)**	(105)
Total tax expense	**1,673**	1,266

c) Tax recognised directly in equity

	2014	2013
	£000	£000
Deferred tax credit recognised directly in equity	**23**	21

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

Reduction in the UK corporation tax rate to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2014 has been calculated based on the rate of 20%.

11 Property, plant and equipment

Group	Land and buildings £000	Plant, machinery and vehicles £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
At 1 January 2013	7,047	8,778	1,251	**17,076**
Additions	343	284	179	**806**
Sale to fellow group undertaking	(7,047)	(6,736)	(1,221)	**(15,004)**
Disposals	-	(1,076)	-	**(1,076)**
At 31 December 2013	**343**	**1,250**	**209**	**1,802**
At 1 January 2014	343	1,250	209	**1,802**
Additions	33	164	3	**200**
Reallocation of assets	(28)	-	28	**-**
At 31 December 2014	**348**	**1,414**	**240**	**2,002**
Depreciation and impairment				
At 1 January 2013	1,334	6,482	832	**8,648**
Charge for the year	299	842	198	**1,339**
Sale to fellow group undertaking	(1,601)	(5,641)	(985)	**(8,227)**
Disposals	-	(882)	-	**(882)**
At 31 December 2013	**32**	**801**	**45**	**878**
At 1 January 2014	32	801	45	**878**
Charge for the year	44	114	66	**224**
Reallocation of assets	(7)	-	7	**-**
At 31 December 2014	**69**	**915**	**118**	**1,102**
Net book value				
At 31 December 2014	**279**	**499**	**122**	**900**
At 31 December 2013	311	449	164	924
At 1 January 2013	5,713	2,296	419	8,428

11 Property, plant and equipment (continued)

Company	Land and buildings £000	Plant, machinery and vehicles £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
At 1 January 2013	7,047	7,374	1,133	**15,554**
Additions	-	249	86	**335**
Sale to fellow group undertaking	(7,047)	(6,737)	(1,219)	**(15,003)**
Disposals	-	(886)	-	**(886)**
At 31 December 2013	-	-	-	**-**
At 1 January 2014	-	-	-	**-**
Additions	-	-	-	**-**
Sale to fellow group undertaking	-	-	-	**-**
Disposals	-	-	-	**-**
At 31 December 2014	-	-	-	**-**
Depreciation and impairment				
At 1 January 2013	1,334	5,714	813	**7,861**
Charge for the year	267	619	171	**1,057**
Sale to fellow group undertaking	(1,601)	(5,642)	(984)	**(8,227)**
Disposals	-	(691)	-	**(691)**
At 31 December 2013	-	-	-	**-**
At 1 January 2014	-	-	-	**-**
Charge for the year	-	-	-	**-**
Sale to fellow group undertaking	-	-	-	**-**
Disposals	-	-	-	**-**
At 31 December 2014	-	-	-	**-**
Net book value				
At 31 December 2014	**-**	**-**	**-**	**-**
At 31 December 2013	-	-	-	**-**
At 1 January 2013	5,713	1,660	320	**7,693**

12 Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
Balance at 1 January 2013	403	4,777	**5,180**
Additions	-	640	**640**
Sale to group undertaking	-	(3,778)	**(3,778)**
Balance at 31 December 2013	403	1,639	**2,042**
Balance at 1 January 2014	403	1,639	**2,042**
Additions	-	226	**226**
Disposals	-	(27)	**(27)**
Balance at 31 December 2014	**403**	**1,838**	**2,241**
Amortisation and impairment			
Balance at 1 January 2013	-	1,257	**1,257**
Amortisation for the year	-	503	**503**
Sale to group undertaking	-	(1,729)	**(1,729)**
Balance at 31 December 2013	-	31	**31**
Balance at 1 January 2014	-	31	**31**
Amortisation for the year	-	169	**169**
Disposals	-	(27)	**(27)**
Balance at 31 December 2014	**-**	**173**	**173**
Net book value			
At 31 December 2014	**403**	**1,665**	**2,068**
At 31 December 2013	403	1,608	2,011
At 1 January 2013	403	3,520	3,923

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 2014 and 31 December 2013 is shown below:

	2014 £000	2013 £000
VolkerHighways	**403**	403
	403	403

12 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:

	2014	2013
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**2%**	2%
Discount rate	**9%**	9%

Cash flow forecasts have assumed profit margins based on past experience and future expectations in light of the anticipated economic and market conditions.

Company	**Software**
	£000
Cost	
Balance at 1 January 2013	2,924
Additions	347
Sale to group undertaking	(3,271)
Balance at 31 December 2013	-
Balance at 1 January 2014	-
Additions	-
Sale to group undertaking	-
Balance at 31 December 2014	**-**
Amortisation and impairment	
Balance at 1 January 2013	1,257
Amortisation for the year	471
Sale to group undertaking	(1,728)
Balance at 31 December 2013	-
Balance at 1 January 2014	-
Amortisation for the year	-
Sale to group undertaking	-
Balance at 31 December 2014	**-**
Net book value	
At 31 December 2014	**-**
At 31 December 2013	-
At 1 January 2013	1,667

13 Investments

Company	Shares in group undertakings £000
Cost	
At 1 January and 31 December 2013	7,178
At 1 January and 31 December 2014	**7,178**
Net book value	
At 31 December 2014	**7,178**
At 31 December 2013	7,178
At 1 January 2013	7,178

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

Subsidiary undertakings

	Principal activities	Class of shares held	Ownership % 2014	2013
VolkerHighways Limited*	Maintenance	Ordinary	**100%**	100%
VolkerHighways Mews Limited*	Non-trading	Ordinary	**100%**	100%

** directly held by the Company*

Jointly controlled operations

Group and Company	Principal activities	JCO partner	Address	Company Share % 2014	2013
Fitzpatrick Lafarge	Construction	Lafarge Aggregates Limited	1 & 2	**70%**	70%
Fitzpatrick Hochtief	Construction	Hochtief (UK) Construction Limited	1 & 3	**50%**	50%
VFC	Construction	Colas Limited	1 & 4	**50%**	50%
Group only					
CVU	Highway Maintenance	Colas Limited; URS Infrastructure & Environment UK Limited	1, 4 & 5	**40%**	40%

Address

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

4. Wallage Lane, Crawley, West Sussex, RH10 0NS

5. Scott House, Alencon Link, Basingstoke, Hampshire RH10 0NS

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

14 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	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Property, plant and equipment	**257**	199	**-**	-
Employee benefits	**-**	-	**(720)**	(630)
Provisions	**5**	55	**-**	-
Tax assets/(liabilities)	**262**	254	**(720)**	(630)

Company	Assets		Liabilities	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Property, plant and equipment	**5**	-	**-**	-
Employee benefits	**-**	-	**(523)**	(480)
Provisions	**-**	55	**-**	-
Tax assets/(liabilities)	**5**	55	**(523)**	(480)

b) Movement in deferred tax in the year

Group	1 January 2014	Recognised in income	Recognised in equity	31 December 2014
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	**199**	53	5	**257**
Employee benefits	**(630)**	(62)	(28)	**(720)**
Provisions	**55**	(50)	-	**5**
	(376)	**(59)**	**(23)**	**(458)**

14 Deferred tax assets and liabilities (continued)

Company	1 January 2014 £000	Recognised in income £000	Recognised in equity £000	31 December 2014 £000
Property, plant and equipment	**-**	-	5	**5**
Employee benefits	**(480)**	(43)	-	**(523)**
Provisions	**55**	(55)	-	**-**
	(425)	(98)	5	**(518)**

c) Movement in deferred tax in the prior year

Group	1 January 2013 £000	Recognised in income £000	Recognised in equity £000	31 December 2013 £000
Property, plant and equipment	531	(332)	-	199
Employee benefits	(618)	9	(21)	(630)
Provisions	79	(24)	-	55
	(8)	(347)	(21)	(376)

Company	1 January 2013 £000	Recognised in income £000	Recognised in equity £000	31 December 2013 £000
Property, plant and equipment	251	(251)	-	-
Employee benefits	(468)	5	(17)	(480)
Provisions	79	(24)	-	55
	(138)	(270)	(17)	(425)

15 Inventories

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Raw materials and consumables	**118**	104	**-**	-

Raw materials and consumables recognised as cost of sales in the year amounted to £57,394,000 (2013 £41,425,000).

16 Trade and other receivables

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Trade receivables	**21,861**	24,929	**19,061**	19,330
Construction contract debtors	**97,943**	82,250	**87,633**	72,300
Amounts owed by group undertakings (Note 27)	**13,939**	19,766	**13,925**	19,514
Prepayments	**4,340**	4,884	**2,819**	2,986
	138,083	131,829	**123,438**	114,130
Current	**128,960**	126,422	**114,778**	109,211
Non current	**9,123**	5,407	**8,660**	4,919
	138,083	131,829	**123,438**	114,130

Included within construction contract debtors is £7,910,000 (2013: £4,356,000) for the Group and £7,910,000 (2013: £4,351,000) for the Company expected to be recovered in over 12 months.

Included within prepayments is £1,213,000 (2013: £1,051,000) for the Group and £750,000 (2013: £568,000) for the Company for pre-contract costs, which will be amortised, over the term of the contracts, up to March 2019.

At 31 December 2014 aggregated costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £1.4 billion (2013: £1.0 billion) for the Group and £0.8 billion (2013: £0.4 billion) for the Company.

At 31 December 2014, construction contract debtors include retentions of £17,086,000 (2013: £15,057,000) relating to construction contracts in progress.

17 Cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Cash and cash equivalents	**60,212**	32,914	**56,985**	25,178
	60,212	32,914	**56,985**	25,178

18 Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Trade payables	**81,295**	89,484	**75,622**	75,610
Amounts owed to group undertakings (Note 27)	**5,420**	2,607	**5,487**	2,987
Amounts due to customers for contract work	**33,160**	22,476	**31,479**	18,723
Non trade payables and accrued expenses	**31,957**	10,443	**30,006**	10,055
	151,832	125,010	**142,594**	107,375
Current	**151,832**	125,010	**142,594**	107,375
Non current	**-**	-	**-**	-
	151,832	125,010	**142,594**	107,375

Included within trade and other payables in 2014 is an amount payable in respect of defects and warranties on a legacy project (2013: Nil). This amount was subsequently settled in cash post year-end.

19 Provisions

Group and Company	**Contract provisions** £000	**Total** £000
Balance at 1 January 2014	-	-
Charged to the income statement	3,057	3,057
Utilised in the year	-	-
Unwinding of discounts	-	-
Balance at 31 December 2014	**3,057**	**3,057**
Analysis of total provisions		
Non-current	-	-
Current	3,057	3,057
	3,057	**3,057**

Provisions include construction defect and warranty provisions relating to certain construction contracts that have reached practical completion.

20 Employee benefits

Defined benefit plans

The Group operates three defined benefit pension plans:
(a) Fitzpatrick Pension Scheme
(b) Fitzpatrick Greenwich Pension Scheme
(c) Gabriel Contractors Limited Defined Benefit Scheme

(a) Fitzpatrick Pension Scheme

The Company operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits accrued prior to 1 June 1993 are linked to the members' final pensionable salaries as at 31 May 1997 (or date of leaving if earlier) and service up to 31 May 1993 (or date of leaving if earlier).

Benefits accruing between 1 June 1993 and 5 April 1997 are on a defined contribution basis but subject to a Guaranteed Minimum Pension underpin. The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

(b) Fitzpatrick Greenwich Pension Scheme

The Company operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

(c) Gabriel Contractors Limited Defined Benefit Scheme

The Group operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee of the Scheme is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

For all three plans, the defined benefit obligation is valued by projecting the best estimate of future benefit payments (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method.

Risks

The risks to these funds are generic to all of them due to their composition:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests significantly in equities and other growth assets. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.

- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation. The Scheme invests in Liability Driven Investment (LDI) assets, which are designed to offset the impact of changes in market yields. Changes in bond yields are therefore not expected to be a significant source of balance sheet volatility.

- Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place), although the Scheme's LDI holdings look to hedge inflation rate changes.

- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

20 Employee benefits (continued)

Group

	2014	2013
	£000	£000
Total defined benefit asset	**13,747**	11,303
Total defined benefit liability	**(10,152)**	(8,148)
Net asset for defined benefit obligations	**3,595**	3,155
Total employee benefits	**3,595**	3,155

Movement in net defined benefit asset

Group

	Defined benefit obligation		**Fair value of plan assets**		**Net defined benefit asset**	
	2014	2013	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000	**£000**	£000
Balance at 1 January	**(8,148)**	(8,546)	**11,303**	11,231	**3,155**	2,685
Included in profit or loss						
Interest (cost)/income	**(365)**	(363)	**511**	489	**146**	126
	(8,513)	(8,909)	**11,814**	11,720	**3,301**	2,811
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	**(34)**	39	**-**	-	**(34)**	39
- Changes in financial assumptions	**(1,616)**	6	**-**	-	**(1,616)**	6
- Experience loss	**(60)**	(252)	**-**	-	**(60)**	(252)
Return on plan assets excluding interest income	**-**	-	**1,823**	298	**1,823**	298
	(1,710)	(207)	**1,823**	298	**113**	91
Other						
Contributions paid by the employer	**-**	-	**181**	253	**181**	253
Benefits paid	**71**	968	**(71)**	(968)	**-**	-
Balance at 31 December	**(10,152)**	(8,148)	**13,747**	11,303	**3,595**	3,155

20 Employee benefits (continued)

Plan assets

Group	2014 £000	2013 £000
Cash and cash equivalents	**1,437**	646
Equities and other growth assets	**7,812**	4,797
Bonds	**4,498**	4,455
Government gilts	**-**	1,405
Total	**13,747**	11,303

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

Actuarial assumptions

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

Group	2014 %	2013 %
Discount rate	**3.4**	4.5
RPI inflation	**3.1**	3.3
RPI inflation linked increases in deferment	**3.1**	3.3
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	**3.0**	3.2
CPI inflation	**2.1**	2.3
CPI inflation linked increases in deferment	**2.1**	2.3
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	**3.1**	3.2

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	20.8	23.0
Future retiree upon reaching 65 in 20 years	22.1	24.5

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in the respective assumptions by half a percent.

20 Employee benefits (continued)

Group	Change in assumption	**2014 +0.5% £000**	**2014 -0.5% £000**	2013 +0.5% £000	2013 -0.5% £000
Discount Rate	+/- 0.5%	**(865)**	**1,021**	(680)	774
Inflation (RPI)	+/- 0.5%	**338**	**(308)**	275	(249)

In valuing the liabilities of the pension fund at £10,152,000, mortality assumptions have been made as indicated above. 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 2014 would have increased by £337,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuations and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Company

	2014 £000	2013 £000
Total defined benefit asset	**9,564**	7,887
Total defined benefit liability	**(6,947)**	(5,488)
Net asset for defined benefit obligations	**2,617**	2,399
Total employee benefits	**2,617**	2,399

20 Employee benefits (continued)

Movement in net defined benefit asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2014	2013	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000	**£000**	£000
Balance at 1 January	**(5,488)**	(5,807)	**7,887**	7,842	**2,399**	2,035
Included in profit or loss						
Interest (cost)/income	**(247)**	(243)	**358**	339	**111**	96
	(5,735)	(6,050)	**8,245**	8,181	**2,510**	2,131
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	**-**	20	**-**	-	**-**	20
- Changes in financial assumptions	**(1,198)**	(14)	**-**	-	**(1,198)**	(14)
- Experience loss	**(14)**	(252)	**-**	-	**(14)**	(252)
Return on plan assets excluding interest income	**-**	-	**1,188**	321	**1,188**	321
	(1,212)	(246)	**1,188**	321	**(24)**	75
Other						
Contributions paid by the employer	**-**	-	**131**	193	**131**	193
Benefits paid	**-**	808	**-**	(808)	**-**	-
Balance at 31 December	**(6,947)**	(5,488)	**9,564**	7,887	**2,617**	2,399

Plan assets

Company	**2014**	2013
	£000	£000
Cash and cash equivalents	**949**	631
Equities and other growth assets	**5,597**	3,765
Bonds	**3,018**	2,868
Government gilts	**-**	623
Total	**9,564**	7,887

20 Employee benefits (continued)

Actuarial assumptions

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

Company	2014 %	2013 %
Discount rate	**3.4**	4.5
RPI inflation	**3.1**	3.3
RPI inflation linked increases in deferment	**3.1**	3.3
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	**3.0**	3.2
CPI inflation	**2.1**	2.3
CPI inflation linked increases in deferment	**2.1**	2.3
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	**3.1**	3.2

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	20.8	23.0
Future retiree upon reaching 65 in 20 years	22.1	24.5

Sensitivity analysis

Company

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by half a percent.

Company	Change in assumption	2014 +0.5% £000	2014 -0.5% £000	2013 +0.5% £000	2013 -0.5% £000
Discount Rate	+/- 0.5%	**(625)**	**710**	(494)	561
Inflation (RPI)	+/- 0.5%	**244**	**(244)**	196	(196)

In valuing the liabilities of the pension fund at £6,947,000, mortality assumptions have been made as indicated above. 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 2014 would have increased by £139,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuations and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

20 Employee benefits (continued)

Funding

The three plans are fully funded by the Group. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of each plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above.

For all three schemes, the last actuarial valuation of the schemes were performed by the Scheme Actuary for the Trustee as at 1 January 2014. These valuations revealed a surplus and therefore no contributions are required by the company at this time.

(b) Defined contribution plans

The Group also operates a number of defined contribution plans. The total expense for the Group was £3,208,000 (2013: £3,266,000) and the creditor outstanding relating to these plans was £243,000 (2013: £438,000).

The outstanding pension creditor for the company was £206,000 (2013: £277,000).

21 Share capital

	Company and Group	
Allotted, called up and fully paid	**Number of shares**	**Ordinary shares** £000
At 31 December 2013 and 31 December 2014	**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.

22 Dividends

An interim dividend of £1,000,000 was paid during the year (2013: £nil). A final dividend of £2,500,000 was paid before the balance sheet date (2013: £3,000,000).

23 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.

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:

	Note	Group		Company	
		2014	2013*	**2014**	2013*
		£000	£000	**£000**	£000
Trade and other receivables	*16*	**133,743**	126,945	**120,619**	111,144
Cash and cash equivalents	*17*	**60,212**	32,914	**56,985**	25,178
Total financial assets		**193,955**	159,859	**177,604**	136,322
Trade and other payables	*18*	**151,832**	125,010	**142,594**	107,375
Total financial liabilities		**151,832**	125,010	**142,594**	107,375
Total financial instruments		**42,123**	34,849	**35,010**	28,947

* Represented to exclude prepayments and tax payable in 2013.

23 Financial instruments (continued)

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 incorporates 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.

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 and the maximum credit exposure for the Group at 31 December 2014 was £133,743,000 (2013: £126,945,000).

The carrying amount of trade and other receivables and the maximum credit exposure for the Company at 31 December 2014 was £120,619,000 at 31 December 2014 (2013: £111,144,000).

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**	
Group	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000
Building	**8,904**	2,138	**8,904**	2,138
Civil engineering	**12,957**	22,791	**10,157**	17,192
	21,861	24,929	**19,061**	19,330

23 Financial instruments (continued)

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Public sector customers	**5,081**	5,403	**2,519**	107
Private sector customers	**16,780**	19,526	**16,542**	19,223
	21,861	24,929	**19,061**	19,330

Credit quality of financial assets and impairment losses

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

Group	2014 Gross £000	2014 Impairment £000	2013 Gross £000	2013 Impairment £000
Not past due	**18,630**	**-**	20,099	-
Past due (0-30 days)	**2,578**	**-**	4,265	-
Past due (31-120 days)	**495**	**-**	390	-
More than 120 days	**158**	**-**	175	-
	21,861	**-**	24,929	-

Company	2014 Gross £000	2014 Impairment £000	2013 Gross £000	2013 Impairment £000
Not past due	**16,387**	**-**	15,243	-
Past due (0-30 days)	**2,463**	**-**	3,711	-
Past due (31-120 days)	**53**	**-**	201	-
More than 120 days	**158**	**-**	175	-
	19,061	**-**	19,330	-

At 31 December 2014 the Group and the Company had no impairment provision (2013: £nil) and did not provide against any debt during the year.

Impairment losses are recorded into an allowance account unless the Group 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.

23 Financial instruments (continued)

c) Liquidity risk

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.

VolkerWessels UK Limited has access to £21m of committed revolving credit facilities and £10m of uncommitted overdraft facilities, which are made available to the Company. VolkerWessels UK Limited did not draw down on the committed revolving credit facilities during the year.

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 2014	**Carrying amount** £000	**Contractual cash flows** £000	**1 year or less** £000	**Between 1 and 2 years** £000
Trade and other payables	151,832	151,832	151,832	-
	151,832	**151,832**	**151,832**	**-**

Group 2013	**Carrying amount** £000	**Contractual cash flows** £000	**1 year or less** £000	**Between 1 and 2 years** £000
Trade and other payables	125,010	125,010	125,010	-
	125,010	**125,010**	**125,010**	**-**

23 Financial instruments (continued)

Company 2014

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000
Trade and other payables	142,594	142,594	142,594	-
	142,594	**142,594**	**142,594**	**-**

Company 2013

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000
Trade and other payables	107,375	107,375	107,375	-
	107,375	**107,375**	**107,375**	**-**

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.

23 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	**2014**	2013
	£000	£000
Variable rate instruments		
Financial assets	**60,212**	32,914

Company	**2014**	2013
	£000	£000
Variable rate instruments		
Financial assets	**56,985**	25,178

A change of 100 basis points in interest would either increase or decrease equity by £602,000 (2013: £329,000) for the Group and by £569,000 (2013: £252,000) for the Company.

24 Cash flows from operating activities

Group	**2014**	2013
	£000	£000
Profit for the year	**6,666**	4,905
Adjustments for:		
Depreciation, amortisation and impairment	**392**	1,842
Financial income	**(388)**	(168)
Financial expense	**25**	254
Profit on sale of property, plant and equipment	**-**	(953)
Profit on sale of Intangibles	**-**	(1,136)
Payments to defined benefit plans	**(180)**	(253)
R & D tax credits	**(260)**	(300)
Taxation	**1,673**	1,266
	7,928	5,457
Increase in trade and other receivables	**(5,906)**	(14,341)
Increase in inventories	**(14)**	(104)
Increase in trade and other payables	**29,531**	22,293
	31,539	13,305

24 Cash flows from operating activities (continued)

Company	2014 £000	2013 £000
Profit for the year	**5,752**	7,361
Adjustments for:		
Depreciation, amortisation and impairment	**-**	1,528
Financial income	**(342)**	(104)
Financial expense	**25**	254
Dividend payable/(receivable)	**-**	(3,000)
Profit on sale of property, plant and equipment	**-**	(938)
Profit on sale of intangibles	**-**	(1,136)
Payments to defined benefit plans	**(131)**	(193)
R & D tax credits	**(225)**	(300)
Taxation	**1,672**	1,121
	6,751	4,593
Increase in trade and other receivables	**(9,309)**	(17,466)
Increase in trade and other payables	**38,275**	19,446
	35,717	6,573

25 Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Land and buildings				
Less than one year	**761**	697	**467**	351
Between one and five years	**1,389**	1,395	**605**	771
More than five years	**176**	223	**-**	64
	2,326	2,315	**1,072**	1,186

26 Contingencies

The Group has contingent liabilities in respect of maintenance agreements on completed contracts, and performance bonds and guarantees that have been entered into in the normal course of business.

The Group is party to certain legal proceedings arising in the normal course of business. Provisions have been made based on the Directors' best estimate of the position of known legal claims, investigations and actions at the year end. The Group takes legal and other third party advice as to the likely outcomes of such actions, and no liability or asset is recognised where the Directors' consider, based on that advice, that an action is unlikely to succeed, or where the Group cannot make a sufficiently reliable estimate of the potential obligation or benefit.

The Company, as a result of VolkerWessels UK Limited group registration for VAT, is jointly and severally liable for the VAT liabilities of other group companies under the group VAT registration. At the accounting date, the Group liability was £7,218,000 (2013: £10,828,000).

27 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	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Emoluments	**941**	2,200	**635**	1,952
Contributions to money purchase pension plans	**149**	259	**98**	224
	1,090	2,459	**733**	2,176

Related party transactions with fellow group undertakings

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Amounts owed by fellow group undertakings				
At start of year	**14,555**	3,397	**14,303**	679
Sales/income	**782**	16,329	**782**	15,303
Receipts	**(6,870)**	(5,171)	**(6,632)**	(679)
Dividends	**-**	-	**-**	(1,000)
At end of year	**8,467**	14,555	**8,453**	14,303

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Amounts owed by parent undertakings				
At start of year	**5,211**	2,855	**5,211**	2,855
Sales/income	**5,472**	5,211	**5,472**	5,211
Receipts	**(5,211)**	(2,855)	**(5,211)**	(2,855)
At end of year	**5,472**	5,211	**5,472**	5,211

All amounts owed by undertakings are derived from trading transactions.

27 Related parties (continued)

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Amounts owed to fellow group undertakings				
At start of year	**2,607**	2,856	**2,987**	3,035
Expenses	**30,308**	21,116	**33,722**	22,095
Payments	**(27,495)**	(21,365)	**(31,222)**	(22,143)
At end of year	**5,420**	2,607	**5,487**	2,987

On 31 December 2013 VolkerFitzpatrick Limited sold the property, plant and equipment and intangible assets that are used in providing shared services to the VolkerWessels UK Group to VolkerServices Limited. This generated a profit on disposal of £2,077,000.

During 2013, VolkerWessels UK Limited agreed to fully accept and discharge the net financial obligations and benefits in relation to a major contract claim and related insurance recovery, in which matter it has been instructing the remediation and legal recovery action since 2012. This resulted in a credit of £1,070,000 being recognised within cost of sales during the year (2013: £1,896,000).

28 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 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.

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

29 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.

29 Accounting estimates and judgements (continued)

(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 20.