VolkerFitzpatrick Limited

Annual Report and Consolidated Financial Statements

Registered number 02387700

31 December 2015

VolkerFitzpatrick Limited
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VolkerFitzpatrick Limited
Company Information

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RA Offord
(Managing Director)

NA Connell
C Humphrey
AR Robertson
J Suckling
MG Woods
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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.

VolkerFitzpatrick Overseas, another subsidiary, carries out any work that is outside the United Kingdom.

Business review

Whilst conditions for contracting companies improved in 2015 in some sectors such as commercial and residential building, core areas of the civil engineering market have remained challenging and very competitive. Price inflation and supply chain volatility have been continuing issues, and the various public sector spending reviews affecting some key clients have led to reduced visibility of forward work in some areas.

The Experience Excellence programme has continued to provide clear direction in "working together to Experience Excellence for our clients and our teams", and a key focus has been on attracting, retaining and engaging our employees, and strengthening our management teams.

Revenues increased by around 6% in 2015, driven predominantly by a number of large contracts in VolkerFitzpatrick that had been secured in previous years, including the Thameslink Rolling Stock Depots, Ilford Yard Stabling Project and the Intercity Express Programme Depots along with a number of significant projects at London Gateway Port. The London Highway Alliance Contract (LoHAC) in VolkerHighways also entered its third 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 contains a number of good projects that are currently being negotiated or are at second stage tender.

In overall terms, the Group delivered improved operating profit margins, a robust balance sheet, supported, again, by a strong cash performance.

The financial highlights of the Group are as follows:

	2015	2014
	£000	£000
Revenue	**548,323**	515,773
Gross profit	**35,611**	34,820
Gross profit margin	**6.5%**	6.8%
Operating profit	**9,531**	7,976
Operating profit margin	**1.7%**	1.5%
Net cash	**74,082**	60,212
Net assets	**48,670**	48,226
Forward secured order book	**623,467**	673,209
Secured and probable order book	**827,781**	1,019,319

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, airports, 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 specialist teams provides genuine client benefits including reduced management costs, a single point of responsibility, and improved 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 2015. The Three Bridges depot has been successfully completed and handed over to Siemens who have commenced delivery of the new Class 700 trains for testing on the depot, and wider rail network, before being introduced into service during 2016. The Hornsey depot project, which is being delivered within a live operational depot environment, is on target to be completed in 2016, with works currently on-going to construct the last of the new buildings and delivering the final track, overhead line and signalling elements of the project.

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.

We also made significant progress in 2015 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 completion of two new depots in Bristol and Swansea. We also continued construction 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 (MFF) in the Anglian Region as part of the Control Period 5 (CP5) programme - a five year framework that commenced in April 2014. These works are made up of bridge renewals; embankment repairs; plus several stand-alone multi discipline schemes that are designed to enhance the rail network's performance.

During the year our specialist team began work on numerous new projects under CP5 outperforming Network Rail's Business plan in delivery of key volumes for the Earthworks and Structures portfolio. Works also commenced at two new stations: a new station at Cambridge North to serve the north east providing a new station within walking distance of Cambridge Science Park, and Lea Bridge, and the refurbishment of an existing disused station scheduled for completion to meet the May 2016 timetable change.

Following the publication of the Hendy Review in November the MFF team now have clarity on projects that will be delivered within CP5.

Airports

With experience in the airport construction and maintenance sector that goes back over 60 years we offer airport 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.

Using 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. 2015 saw the delivery of Delta North Stands at Aberdeen Airport. At Gatwick Airport we delivered the Taxiway Juliette Rehabilitation Contract and commenced work on Phase 2c of the Stand Reconfiguration. In the year we also delivered significant military infrastructure through the United States Airforce Framework at various locations around the UK, and completed works for the Defence Infrastructure Organisation on Ascension Island.

Roads and Highways

VolkerFitzpatrick has an extensive track record of delivering highways schemes in the private and public sectors. Our highways infrastructure works facilitate residential and commercial developments, bypasses and urban realm schemes as well as strategic network enhancements on trunk roads and motorways.

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.

July 2015 saw the formal opening of the M1 Junction 10a for Luton Borough Council. Meanwhile, works commenced in earnest on the Dunsbury Hill Farm development for Portsmouth City Council. Once complete, Dunsbury Hill will provide access to the new business park in Havant.

Continuing successful delivery of early infrastructure at London Gateway Port for DP World, 2015 saw the completion of the Access Road to Berth 7 and commencement of Berth 3. Working for partners West Hertfordshire Hospitals NHS Trust and Kier Property, VolkerFitzpatrick started construction of a new road to improve access to Watford Hospital as part of the Watford Health Campus development.

Bridges and Structures

VolkerFitzpatrick has 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 thrive in developing innovative solutions for complex technical, logistical and ground condition challenges. Collaborative planning and working methods enable us to produce programme certainty and a quality product for our valued customers across the public and private sectors.

During 2015 we commenced construction of the challenging 28 metre clear span Croxley Rail Link Bridge at Watford Health Campus. Over at the University of Northampton's Waterside Campus, similarly challenging work started on the 46.5 metre span bridge which once complete, will cross both the River Nene and the new riverside footpath providing unimpeded access along the river.

Ports and Marine

VolkerFitzpatrick have had a longstanding relationship with the Port of Felixstowe, and in 2015, in collaboration with sister company VolkerStevin and dredging company Boskalis completed the construction of a new jetty for the port.

In 2015 DP World appointed VolkerFitzpatrick for the construction of Berth 3 as part of their ongoing development of London Gateway Port in Essex. Berth 3 will enable the use of a further 400 metres of quayside.

Regeneration and Environmental

VolkerFitzpatrick's capability to regenerate brownfield sites 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, Stratford, and on a major urban infrastructure scheme at Lewisham.

The University of Northampton appointed VolkerFitzpatrick to deliver the infrastructure development of the new Waterside Campus. The state-of-the-art campus will regenerate the brownfield area across the River Nene from Midsummer Meadow.

Commercial Building

VolkerFitzpatrick were particularly active in the commercial office sector in 2015 with the upturn in this sector. We were awarded four new, major projects in and around London:

- 24 King William Street: a strip back to frame office refurbishment in the City for Beltane Asset Management
- 47-53 Queen Anne Street: a new office development with retained façade in Marylebone for The Howard de Walden Estate
- 77 Fulham Palace Road: a strip back to frame office refurbishment in Hammersmith for Bell Hammer/AXA
- Bourne Business Park: a new build office development in Weybridge for La Salle Investment Management

We also continued on site with Howard de Walden's flagship office project at 64-66 Wigmore Street, a new build office development with double basement in Marylebone.

With a healthy pipeline of work ahead, prospects for the commercial sector are very positive for 2016 as VolkerFitzpatrick continue to develop their excellent reputation for delivery of exemplary quality and service for clients.

Industrial & Distribution

VolkerFitzpatrick 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.

We completed a major civil engineering and building contract for Prologis at Daventry utilising our combined resources for the construction of a 1,000,000 ft2 distribution unit including all external works and an intermodal rail facility together with the management of the highly complex fit out for the tenant, Sainsbury's. Also completed was another ProLogis contract for a 400,000 ft2 distribution unit, again including all external works and an intermodal rail facility.

November 2015 saw the commencement on site of a new state of the art roasting facility for Costa Coffee in Basildon. This will also be their distribution hub for coffee beans to their UK and European facilities and is due to complete in summer 2016.

In Hull, we secured a project with Siemens for the construction of a wind turbine blade manufacturing facility for their commitment to off shore wind farms around the UK. Construction of the facility, which started in August 2015 and is programmed to finish in autumn 2016, allows for the manufacture and production of 75 metre long turbine blades, which are transported to the dockside and shipped out direct from the port to their final location.

Special Projects

Our Special Projects team provide construction services for smaller building projects. Special Projects have continued to establish themselves as a specialist small works business and have strengthened their position as a key delivery partner for the Royal Mail in 2015. Projects for this customer have ranged from a few thousand pounds up to multi million pound projects with the common theme of working in live environments. The teams also continued excellent relationships with their other long established customers; Veolia, London Borough of Hillingdon and Prologis.

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 3 million man hours completed without a RIDDOR reportable accident
- Over 6.8 million man hours completed with only 3 RIDDOR reportable accidents
- Numerous projects completed without any accidents

Also, the continued focus on hazard, near misses and close calls has seen a 25% increase in reporting with over 8,500 reports raised. This, together with sustained performance in our Considerate Constructors Score (our average being almost 10% above the industry norm), has again raised our standards and we continue to make our sites safer places to work.

In 2014 we launched our Service Location and Avoidance Programme to address the increasing number of service strikes within the business. Working with our supply chain we have seen a 25% reduction in service strikes in 2015 and have built a platform for further improvements in 2016.

Our quality improvement strategy launched in 2012, which is an integral part of our Experience Excellence programme, continues to drive improvements in our use of benchmarks and management of the risks to quality of our finished product with 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 2015 we received a number of awards and commendations including:

- RoSPA Gold Award - 7th consecutive award
- Green Apple Award - CP5 Wrabness Embankment Stabilisation Project
- CIBSE 'New Build Project of the Year' (up to £10m) Award - University of East London Library
- NEC Contractor of the Year - CP5 Southern Multi-Functional Framework - Anglia Route
- British Safety Council International Safety Award with Merit - Doncaster Carr Depot
- Considerate Constructors National Award - Gold - IEP Stoke Gifford Depot
- Considerate Constructors National Award - Silver - Gatwick Airport Flood Attenuation Scheme
- Considerate Constructors National Award - Silver - Milton Keynes Waste Recovery Park
- Considerate Constructors National Award - Silver - Three Bridges Depot
- Considerate Constructors National Award - Bronze - Hornsey Depot
- Considerate Constructors National Award - Bronze - Ilford yard Stabling
- ICE Engineering Excellence Special Award - Gatwick Airport Station Redevelopment

VolkerHighways

Projects

Street Lighting Success

VolkerHighways continues to build up its street lighting capability through National Electrical Registration Scheme (NERS) which now means we can undertake power connections to metered and unmetered power sources. This brings enhanced programme certainty to clients as we are not reliant on the power network contractors for connections. This investment has helped VolkerHighways win and deliver LED conversion programmes with Poole & Bournemouth Councils and Slough, Reading and Wokingham Councils along with a further 8,000 SOX/SON lighting units which are being converted to LED with the London Borough of Havering.

TfL - Cycle Super Highway

VolkerHighways, working with Transport for London (TfL), through our London Borough of Hackney term contract has commenced work on Route 1 of the Cycle Superhighway (CS1) to improve London's roads for cyclists and pedestrians. Stretching from Liverpool Street Station in the city to White Hart Lane in Haringey, the 11km dedicated route will operate on residential streets at busy locations, making it safer and easier for pedestrians and cyclists. The route also forms part of the wider Cycle Superhighway that is being constructed around the capital. Working with Hackney and TfL, work commenced on the route in Hackney in July 2015 and is expected to finish in spring 2016.

CVU - London Highways Alliance Contract (LoHAC)

2015 has been a busy year for our joint venture CVU; the joint venture has undertaken a number of major projects on both the TfL and London Borough networks. These include the high profile Cycle Superhighway Schemes (CS5) as part of the Roads Modernisation Plan, running through central London the first of which received formal opening by the Mayor, Boris Johnson in November with associated national press coverage and refurbishment of the busy Cobden Junction in the Borough of Camden.

Work within the LoHAC framework in London means that we are directly benchmarked against three other Service Providers. We ended the year in first place based on the contract performance indicators and our customers are extremely pleased with the reliable, value for money, quality service we deliver.

London Borough of Enfield

VolkerHighways was successful in winning the high profile vehicle crossing contract for the communities of Enfield. We are supplying a full customer service to receive, manage and deliver customers' requests for provisions for vehicle crossovers.

Ancillary Services

VolkerHighways continue to build capacity to self-deliver within the company and across the VolkerWessels UK Group. We now self-deliver traffic management across Medway and West Berkshire contracts and have also supported additional projects in Hackney and Luton. Our surfacing division continues to support VolkerFitzpatrick and VolkerStevin including works on the Watford Health Campus and Blackfriars Bridge contracts respectively.

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 late 2015 SMART v2 was rolled out across substantially all of our highways contracts and now plays an important part in how we deliver our effective, value for money services.

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.

Awards and Commendations

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

- Operator Recognition Scheme (FORS) - Silver qualification
- Green Apple Environment Awards 2015 - Gold - London Borough of Hackney term maintenance contract
- Fleet Considerate Constructors Scheme - Bronze - London Borough of Hackney term maintenance contract

VolkerFitzpatrick Overseas

During 2015 VolkerFitzpatrick Overseas completed its first major overseas construction projects. Working for its clients, VolkerFitzpatrick Overseas performed a range of replacement and maintenance works at Wideawake Airfield on Ascension Island. With the support of key supply chain partners VolkerFitzpatrick Overseas was able to overcome the logistical and operational challenges presented by working at significant distance from the UK mainland to successfully deliver this work.

Forward order book

At 31 December 2015 the Group's secured order book stood at £623 million; including probable projects (which are those that we assess as being more than 90% certain) this increases to £828 million. This has decreased since last year with the ongoing delivery of works under the MFF CP5 framework for Network Rail, and the completion of some major rail depot projects, and the order book remains strong, standing at good level to ensure the ongoing provision of work to meet our business plan.

Major contract wins in the year included the Siemens Hull blade manufacturing facility, London Gateway Port's Berth 3, University of Northampton Waterside Campus, Watford Health Campus, Bourne Business Park, 24 King William Street and 77 Fulham Palace Road.

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:

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 focused, 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 22 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.

VolkerFitzpatrick Limited
Hertford Road
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EN11 9BX

9 March 2016
Company registered number: 02387700

The Directors present their Directors' Report and financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the financial year after taxation was £8,283,000 (2014: £6,666,000). An interim dividend of £8,000,000 was paid in the year (2014: £1,000,000). The Directors do not recommend the payment of a final dividend (2014: £2,500,000).

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 £56,000 in 2015 (2014: £33,000). Neither the Company nor any of its subsidiaries made any knowledgeable political donations or incurred any political expenditure during the year (2014: £nil).

Other disclosures

Disclosures in respect of future developments of the Group are given in the Strategic Report. Information on financial instruments is given in note 22 of the financial statements.

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

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

9 March 2016

Company registered number: 02387700

VolkerFitzpatrick Limited
Directors' Responsibilities Statement
Year ended 31 December 2015

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of VolkerFitzpatrick Limited
Year ended 31 December 2015

We have audited the financial statements of VolkerFitzpatrick Limited for the year ended 31 December 2015 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 Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 28. 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 2015 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.

9 March 2016

VolkerFitzpatrick Limited
Consolidated Income Statement
for the year ended 31 December 2015

	Note	2015	2014
		£000	£000
Revenue	3	**548,323**	515,773
Cost of sales		**(512,712)**	(480,953)
Gross profit		**35,611**	34,820
Administrative expenses		**(26,080)**	(26,844)
Operating profit	4	**9,531**	7,976
Financial income	7	**417**	388
Financial expense	8	**(8)**	(25)
Profit before tax		**9,940**	8,339
Taxation	9	**(1,657)**	(1,673)
Profit for the year		**8,283**	6,666
Profit attributable to:			
Equity holder of the parent company		**8,283**	6,666
		8,283	6,666

All results derive from continuing operations.

The profit for the parent company for the year was £7,929,000 (2014: £5,752,000).

The notes on pages 24 to 58 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Profit for the year		**8,283**	6,666
Other comprehensive income			
Actuarial gains on defined benefit pension plans	*19*	**196**	113
Tax recognised on actuarial gains	*9*	**(35)**	(23)
Other comprehensive income for the year, net of income tax		**161**	90
Total comprehensive income for the year		**8,444**	6,756
Total comprehensive income attributable to:			
Equity holder of the parent company		**8,444**	6,756
		8,444	6,756

The notes on pages 24 to 58 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
at 31 December 2015

	Note	2015	2014
		£000	£000
Non current assets			
Property, plant and equipment	*10*	**633**	900
Intangible assets	*11*	**2,113**	2,068
Trade and other receivables	*15*	**6,890**	9,123
Deferred tax assets	*13*	**219**	262
Employee benefits	*19*	**3,915**	3,595
		13,770	15,948
Current assets			
Inventories	*14*	**1,758**	118
Trade and other receivables	*15*	**103,298**	128,960
Cash and cash equivalents	*16*	**74,082**	60,212
		179,138	189,290
Total assets		**192,908**	205,238
Equity attributable to equity holder of the parent			
Share capital	*20*	**6,000**	6,000
Retained earnings		**42,670**	42,226
Total equity		**48,670**	48,226
Non current liabilities			
Deferred tax liabilities	*13*	**705**	720
Total non current liabilities		**705**	720
Current liabilities			
Trade and other payables	*17*	**143,054**	151,832
Provisions	*18*	**-**	3,057
Tax payable		**479**	1,403
Total current liabilities		**143,533**	156,292
Total liabilities		**144,238**	157,012
Total equity and liabilities		**192,908**	205,238

The notes on pages 24 to 58 form an integral part of the consolidated financial statements.

These financial statements were approved by the board of directors on 9 March 2016 and were signed on its behalf by:

Company registered number: 02387700

VolkerFitzpatrick Limited
Company Statement of Financial Position
at 31 December 2015

	Note	2015 £000	2014 £000
Non current assets			
Investments	*12*	**7,178**	7,178
Trade and other receivables	*15*	**6,354**	8,660
Deferred tax assets	*13*	**3**	5
Employee benefits	*19*	**2,880**	2,617
		16,415	18,460
Current assets			
Trade and other receivables	*15*	**86,143**	114,778
Cash and cash equivalents	*16*	**66,829**	56,985
		152,972	171,763
Total assets		**169,387**	190,223
Equity attributable to equity holder of the company			
Share capital	*20*	**6,000**	6,000
Retained earnings		**36,866**	36,795
Total equity		**42,866**	42,795
Non current liabilities			
Deferred tax liabilities	13	**518**	523
		518	523
Current liabilities			
Trade and other payables	17	**125,649**	142,594
Provisions	18	**-**	3,057
Tax payable		**354**	1,254
		126,003	146,905
Total liabilities		**126,521**	147,428
Total equity and liabilities		**169,387**	190,223

The notes on pages 24 to 58 form an integral part of the consolidated financial statements.

These financial statements were approved by the board of directors on 9 March 2016 and were signed on its behalf by:

Company registered number: 02387700

VolkerFitzpatrick Limited
Consolidated Statement of Changes in Equity
at 31 December 2015

	Share capital £000	Retained earnings £000	Total equity £000
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**
Balance at 1 January 2015	6,000	42,226	48,226
Comprehensive income			
Profit for the year	-	8,283	8,283
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	161	161
Transactions with owners			
Dividends payable	-	(8,000)	(8,000)
Balance at 31 December 2015	**6,000**	**42,670**	**48,670**

The notes on pages 24 to 58 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Statement of Changes in Equity
at 31 December 2015

	Share capital £000	Retained earnings £000	Total equity £000
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**
Balance at 1 January 2015	6,000	36,795	42,795
Comprehensive income			
Profit for the year	-	7,929	7,929
Other comprehensive income			
Actuarial gains/(losses) on defined benefit pension plans, net of tax	-	142	142
Transactions with owners			
Dividends payable	-	(8,000)	(8,000)
Balance at 31 December 2015	**6,000**	**36,866**	**42,866**

The notes on pages 24 to 58 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities	*23*	**22,671**	31,539
Interest paid		**(8)**	(25)
Tax paid		**(766)**	(533)
Net cash from operating activities		**21,897**	30,981
Cash flows from investing activities			
Interest received		**299**	242
Acquisition of plant, property and equipment		**(77)**	(199)
Acquisition of intangible fixed assets		**(249)**	(226)
Net cash from investing activities		**(27)**	(183)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(8,000)**	(3,500)
Net cash from financing activities		**(8,000)**	(3,500)
Net increase in cash and cash equivalents		**13,870**	27,298
Cash and cash equivalents at 1 January		**60,212**	32,914
Effect of exchange rate fluctuations on cash held		**-**	-
Cash and cash equivalents at 31 December	*16*	**74,082**	60,212

The notes on pages 24 to 58 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities	*23*	**18,236**	35,717
Interest paid		**-**	(25)
Tax paid		**(675)**	(617)
Net cash from operating activities		**17,561**	35,075
Cash flows from investing activities			
Interest received		**283**	232
Net cash from investing activities		**283**	232
Cash flows from financing activities			
Dividends to Company's shareholders		**(8,000)**	(3,500)
Net cash from financing activities		**(8,000)**	(3,500)
Net increase in cash and cash equivalents		**9,844**	31,807
Cash and cash equivalents at 1 January		**56,985**	25,178
Effect of exchange rate fluctuations on cash held		**-**	-
Cash and cash equivalents at 31 December	*16*	**66,829**	56,985

The notes on pages 24 to 58 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 22 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.

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 receivable 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

New amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2015 are listed below. The new amendments had no significant impact on the Company's results other than certain revised disclosures.

- Annual Improvements to IFRSs: 2011-13 Cycle.
- Annual Improvements to IFRSs: 2010-12 Cycle.
- IAS 19 (amendments) '*Defined benefit plans: Employee contributions*'.

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 2012-14 Cycle (mandatory for the year commencing 1 January 2016).
- 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).
- IAS 1 (amendments) '*Presentation of Financial Statements*' Disclosure Initiative (mandatory for the year commencing on or after 1 January 2016).
- IFRS 15 '*Revenue from Contracts with Customers*' (mandatory for the year commencing on or after 1 January 2018), the impact of the standard has not been determined at this stage
- IFRS 16 '*Leases*' (mandatory for the year commencing on or after 1 January 2019)

3 Revenue

Revenues are comprised as follows:

	2015	2014
	£000	£000
Construction contract revenues	467,076	446,935
Service contract revenues	81,247	68,838
Total revenues	**548,323**	515,773

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

4 Operating profit

Operating profit is stated after charging:

	2015 £000	2014 £000
Depreciation of plant, property and equipment		
- owned assets	312	224
Amortisation of intangible assets	204	169
Operating lease charges		
- plant and machinery	35	-
- other	1,346	871
Auditor's remuneration		
- audit of these financial statements	113	110
- audit of financial statements of subsidiaries	40	40
Loss on sale of plant, property and equipment	32	-

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 £nil being recognised within cost of sales during 2015 (2014: £1,070,000).

5 Staff numbers and costs

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

	2015 No	2014 No
Management & administrative	126	119
Operational	835	750
	961	869

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	52,809	50,180
Social security costs	5,530	5,264
Contributions to defined contribution plans	3,200	3,208
	61,539	58,652

6 Directors' remuneration

	2015	2014
	£000	£000
Directors' emoluments	857	635
Company contributions to money purchase pension plans	94	98
	951	733

The emoluments of the highest paid Director were £400,000 (2014: £295,000) and company pension contributions of £40,000 (2014: £34,000) were made to a money purchase scheme on their behalf.

Only 3 directors are remunerated through the Group (2014: 3). The other directors are remunerated through VolkerServices Limited, a fellow group undertaking.

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

	2015	2014
	No	No
Money purchase schemes	3	3

7 Financial income

	2015	2014
	£000	£000
Interest income on short-term bank deposits	293	242
Net foreign exchange gains	2	-
Net interest on the net defined benefit assets	122	146
Total financial income	417	388

8 Financial expense

	2015	2014
	£000	£000
Interest on loans from group undertakings	8	25
Total financial expense	8	25

9 Taxation

a) Analysis of the tax recognised in the income statement

	2015	2014
	£000	£000
Current tax expense		
UK corporation tax:		
Current year	**1,529**	1,722
Adjustments for prior periods	**135**	(55)
Foreign tax:		
Adjustments for prior periods	-	(53)
Current tax expense	**1,664**	1,614
Deferred tax (income)/expense (see note 13)		
Origination and reversal of temporary differences	**55**	167
Change in tax rate	**(50)**	-
Adjustments for prior periods	**(12)**	(108)
Deferred tax (income)/expense	**(7)**	59
Total tax expense	**1,657**	1,673

9 Taxation (continued)

b) Reconciliation of effective tax rate

	2015	2014
	£000	£000
Profit for the year	**8,283**	6,666
Total tax expense	**1,657**	1,673
Profit before taxation	**9,940**	8,339
Tax using the UK corporation tax rate of 20.25% (2014: 21.50%)	**2,013**	1,793
Effects of:		
Expenses not deductible for tax purposes	**98**	96
Effect of research and development tax credit	**(291)**	(6)
Effect of change in tax rate	**(50)**	10
Adjustments for prior years	**123**	(216)
Other	**(236)**	(4)
Total tax expense	**1,657**	1,673

c) Tax recognised directly in equity

	2015	2014
	£000	£000
Deferred tax credit recognised directly in equity	**35**	23

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

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10 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 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**
At 1 January 2015	348	1,414	240	**2,002**
Additions	4	41	32	**77**
Disposals	-	(82)	-	**(82)**
At 31 December 2015	**352**	**1,373**	**272**	**1,997**
Depreciation and impairment				
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**
At 1 January 2015	69	915	118	**1,102**
Charge for the year	59	182	71	**312**
Disposals	-	(50)	-	**(50)**
At 31 December 2015	**128**	**1,047**	**189**	**1,364**
Net book value				
At 31 December 2015	**224**	**326**	**83**	**633**
At 31 December 2014	279	499	122	900
At 1 January 2014	311	449	164	924

11 Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
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**
Balance at 1 January 2015	403	1,838	**2,241**
Additions	-	249	**249**
Balance at 31 December 2015	**403**	**2,087**	**2,490**
Amortisation and impairment			
Balance at 1 January 2014	-	31	**31**
Amortisation for the year	-	169	**169**
Disposals	-	(27)	**(27)**
Balance at 31 December 2014	-	173	**173**
Balance at 1 January 2015	-	173	**173**
Amortisation for the year	-	204	**204**
Balance at 31 December 2015	**-**	**377**	**377**
Net book value			
At 31 December 2015	**403**	**1,710**	**2,113**
At 31 December 2014	403	1,665	2,068
At 1 January 2014	403	1,608	2,011

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 2015 and 31 December 2014 is shown below:

	2015 £000	2014 £000
VolkerHighways	**403**	403
	403	403

11 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:

	2015	2014
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**2%**	2%
Pre-tax discount rate	**9%**	9%

The value in use calculations use cash flows based on detailed financial budgets prepared by management covering a 5 year period. These budgets have regard to historical performance and knowledge of the current market, together with management's views on the future achievable growth and the impact of forward secured and probable order book. Cash flows beyond this 5 year period are extrapolated using a long-term growth rate.

The key assumptions in the value in use calculations are the long-term growth rate and risk adjusted pre-tax discount rate. The long-term growth rate has been determined with reference to forecast industry growth. Management believes this is the most appropriate indicator of long-term growth rates. The pre-tax discount rate is based on the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

12 Investments

Company	**Shares in group undertakings £000**
Cost	
At 1 January and 31 December 2014	7,178
At 1 January and 31 December 2015	**7,178**
Net book value	
At 31 December 2015	**7,178**
At 31 December 2014	7,178
At 1 January 2014	7,178

12 Investments (continued)

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

Subsidiary undertakings

	Principal activities	Class of shares held	Ownership % 2015	2014
VolkerHighways Limited*	Maintenance	Ordinary	**100%**	100%
VolkerFitzpatrick Overseas Limited (previously VolkerHighways Mews Limited)*	Civil Engineering & Construction works	Ordinary	**100%**	100%

** directly held by the Company*

Jointly controlled operations

Group and Company	Principal activities	JCO partner	Address	Company Share % 2015	2014
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; AECOM 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

13 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**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Property, plant and equipment	**219**	257	**-**	-
Employee benefits	**-**	-	**(705)**	(720)
Provisions	**-**	5	**-**	-
Tax assets/(liabilities)	**219**	262	**(705)**	(720)

Company	**Assets**		**Liabilities**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Property, plant and equipment	**3**	5	**-**	-
Employee benefits	**-**	-	**(518)**	(523)
Tax assets/(liabilities)	**3**	5	**(518)**	(523)

b) Movement in deferred tax in the year

Group	**1 January 2015**	**Recognised in income**	**Recognised in equity**	**31 December 2015**
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	**257**	(38)	-	**219**
Employee benefits	**(720)**	50	(35)	**(705)**
Provisions	**5**	(5)	-	**-**
	(458)	**7**	**(35)**	**(486)**

13 Deferred tax assets and liabilities (continued)

Company	1 January 2015 £000	Recognised in income £000	Recognised in equity £000	31 December 2015 £000
Property, plant and equipment	**5**	(2)	-	**3**
Employee benefits	**(523)**	36	(31)	**(518)**
	(518)	34	(31)	**(515)**

c) Movement in deferred tax in the prior year

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

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)

14 Inventories

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Raw materials and consumables	**1,758**	118	**-**	-

Raw materials and consumables recognised as cost of sales in the year amounted to £62,102,000 (2014 £57,394,000).

15 Trade and other receivables

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Trade receivables	**14,096**	21,861	**9,079**	19,061
Construction contract debtors	**82,208**	97,943	**70,390**	87,633
Amounts owed by group undertakings (Note 26)	**8,320**	13,939	**8,653**	13,925
Prepayments	**5,564**	4,340	**4,375**	2,819
	110,188	138,083	**92,497**	123,438
Current	**103,298**	128,960	**86,143**	114,778
Non current	**6,890**	9,123	**6,354**	8,660
	110,188	138,083	**92,497**	123,438

Included within construction contract debtors is £5,912,000 (2014: £7,910,000) for the Group and £5,912,000 (2014: £7,910,000) for the Company expected to be recovered in over 12 months.

Included within prepayments is £978,000 (2014: £1,213,000) for the Group and £442,000 (2014: £750,000) for the Company for pre-contract costs, which will be amortised, over the term of the contracts, up to March 2019.

At 31 December 2015 aggregated costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £1.5 billion (2014: £1.4 billion) for the Group and £0.9 billion (2014: £0.8 billion) for the Company.

At 31 December 2015, construction contract debtors include retentions of £13,120,000 (2014: £17,086,000) relating to construction contracts in progress.

16 Cash and cash equivalents

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Cash and cash equivalents	**74,082**	60,212	**66,829**	56,985
	74,082	60,212	**66,829**	56,985

17 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade payables	**98,761**	81,295	**84,080**	75,622
Amounts owed to group undertakings (Note 26)	**6,037**	5,420	**5,819**	5,487
Amounts due to customers for contract work	**25,676**	33,160	**25,091**	31,479
Non trade payables and accrued expenses	**12,580**	31,957	**10,659**	30,006
	143,054	151,832	**125,649**	142,594
Current	**143,054**	151,832	**125,649**	142,594
Non current	**-**	-	**-**	-
	143,054	151,832	**125,649**	142,594

Included within trade and other payables in 2014 is an amount payable in respect of defects and warranties on a legacy project. This amount was subsequently settled in cash during the year.

18 Provisions

Group and Company	**Contract provisions**	**Total**
	£000	£000
Balance at 1 January 2015	3,057	3,057
Charged to the Income Statement	-	-
Utilised in the year	(3,057)	(3,057)
Balance at 31 December 2015	-	-
Analysis of total provisions		
Non-current	-	-
Current	-	-
	-	-

Provisions in prior year included construction defect and warranty provisions relating to certain construction contracts that were completed during the year.

19 Employee benefits

Defined benefit plans

The Group operates three defined benefit pension schemes:
(a) VolkerFitzpatrick Limited Pension Scheme
(b) VolkerFitzpatrick Limited Greenwich Pension Scheme
(c) Gabriel (Contractors) Limited Pension Scheme

(a) VolkerFitzpatrick Limited 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) VolkerFitzpatrick Limited 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 Pension 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.

19 Employee benefits (continued)

Group

	2015	2014
	£000	£000
Total defined benefit asset	13,376	13,747
Total defined benefit liability	(9,461)	(10,152)
Net asset for defined benefit obligations	3,915	3,595
Total employee benefits	3,915	3,595

Movement in net defined benefit asset

Group

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(10,152)	(8,148)	13,747	11,303	3,595	3,155
Included in profit or loss						
Interest (cost)/income	(335)	(365)	457	511	122	146
	(10,487)	(8,513)	14,204	11,814	3,717	3,301
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	(26)	(34)	-	-	(26)	(34)
- Changes in financial assumptions	526	(1,616)	-	-	526	(1,616)
- Experience loss	(80)	(60)	-	-	(80)	(60)
Return on plan assets excluding interest income	-	-	(224)	1,823	(224)	1,823
	420	(1,710)	(224)	1,823	196	113
Other						
Contributions paid by the employer	-	-	2	181	2	181
Benefits paid	606	71	(606)	(71)	-	-
Balance at 31 December	(9,461)	(10,152)	13,376	13,747	3,915	3,595

19 Employee benefits (continued)

Plan assets

Group	2015 £000	2014 £000
Cash and cash equivalents	**1,409**	1,437
Equities and other growth assets	**7,872**	7,812
Bonds	**4,095**	4,498
Total	**13,376**	13,747

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	2015 %	2014 %
Discount rate	**3.7**	3.4
RPI inflation	**3.1**	3.1
RPI inflation linked increases in deferment	**3.1**	3.1
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	**3.0**	3.0
CPI inflation	**2.1**	2.1
CPI inflation linked increases in deferment	**2.1**	2.1
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	**3.1**	3.1

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	23.1
Future retiree upon reaching 65 in 20 years	22.1	24.6

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.

19 Employee benefits (continued)

Group	Change in assumption	**2015 +0.5% £000**	**2015 -0.5% £000**	2014 +0.5% £000	2014 -0.5% £000
Discount Rate	+/- 0.5%	**(789)**	**898**	(865)	1,021
Inflation (RPI)	+/- 0.5%	**304**	**(289)**	338	(308)

In valuing the liabilities of the pension fund at £9,461,000, 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 2015 would have increased by £315,000 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

	2015 £000	2014 £000
Total defined benefit asset	**9,211**	9,564
Total defined benefit liability	**(6,331)**	(6,947)
Net asset for defined benefit obligations	**2,880**	2,617
Total employee benefits	**2,880**	2,617

19 Employee benefits (continued)

Movement in net defined benefit asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2015	2014	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000	**£000**	£000
Balance at 1 January	**(6,947)**	(5,488)	**9,564**	7,887	**2,617**	2,399
Included in profit or loss						
Interest (cost)/income	**(227)**	(247)	**316**	358	**89**	111
	(7,174)	(5,735)	**9,880**	8,245	**2,706**	2,510
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial gain/(loss) arising from:						
- Changes in demographic assumptions	**(2)**	-	**-**	-	**(2)**	-
- Changes in financial assumptions	**384**	(1,198)	**-**	-	**384**	(1,198)
- Experience loss	**(80)**	(14)	**-**	-	**(80)**	(14)
Return on plan assets excluding interest income	**-**	-	**(130)**	1,188	**(130)**	1,188
	302	(1,212)	**(130)**	1,188	**172**	(24)
Other						
Contributions paid by the employer	**-**	-	**2**	131	**2**	131
Benefits paid	**541**	-	**(541)**	-	**-**	-
Balance at 31 December	**(6,331)**	(6,947)	**9,211**	9,564	**2,880**	2,617

Plan assets

Company	**2015**	2014
	£000	£000
Cash and cash equivalents	**987**	949
Equities and other growth assets	**5,628**	5,597
Bonds	**2,596**	3,018
Total	**9,211**	9,564

19 Employee benefits (continued)

Actuarial assumptions

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

Company	**2015**	2014
	%	%
Discount rate	**3.7**	3.4
RPI inflation	**3.1**	3.1
RPI inflation linked increases in deferment	**3.1**	3.1
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	**3.0**	3.0
CPI inflation	**2.1**	2.1
CPI inflation linked increases in deferment	**2.1**	2.1
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	**3.1**	3.1

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**	**Female**
	Years	**Years**
Current pensioner aged 65	20.8	23.1
Future retiree upon reaching 65 in 20 years	22.1	24.6

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	**2015**	**2015**	2014	2014
		+0.5%	**-0.5%**	+0.5%	-0.5%
		£000	**£000**	£000	£000
Discount Rate	+/- 0.5%	**(570)**	**647**	(625)	710
Inflation (RPI)	+/- 0.5%	**241**	**(227)**	244	(244)

In valuing the liabilities of the pension fund at £6,331,000, 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 2015 would have increased by £190,000 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.

19 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 £3,200,000 (2014: £3,208,000) and the creditor outstanding relating to these plans was £258,000 (2014: £243,000).

The outstanding pension creditor for the company was £219,000 (2014: £206,000).

20 Share capital

	Company and Group	
Allotted, called up and fully paid	**Number of shares**	**Ordinary shares** £000
At 31 December 2014 and 31 December 2015	**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.

21 Dividends

An interim dividend of £8,000,000 was paid during the year (2014: £1,000,000). The directors do not recommend the payment of a final dividend (2014: £2,500,000).

22 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 2015 £000	Group 2014* £000	Company 2015 £000	Company 2014* £000
Trade and other receivables	*15*	**104,624**	133,743	**88,122**	120,619
Cash and cash equivalents	*16*	**74,082**	60,212	**66,829**	56,985
Total financial assets		**178,706**	193,955	**154,951**	177,604
Trade and other payables	*17*	**135,946**	144,060	**119,858**	136,100
Total financial liabilities		**135,946**	144,060	**119,858**	136,100
Total financial instruments		**42,760**	49,895	**35,093**	41,504

* Trade and other payables has been represented to exclude tax payables in 2014.

22 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 2015 was £104,625,000 (2014: £133,743,000).

The carrying amount of trade and other receivables and the maximum credit exposure for the Company at 31 December 2015 was £88,122,000 at 31 December 2015 (2014: £120,619,000).

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	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000
Building	**4,585**	8,904	**4,585**	8,904
Civil engineering	**9,511**	12,957	**4,494**	10,157
	14,096	21,861	**9,079**	19,061

22 Financial instruments (continued)

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Public sector customers	**4,865**	5,081	**249**	2,519
Private sector customers	**9,231**	16,780	**8,830**	16,542
	14,096	21,861	**9,079**	19,061

Credit quality of financial assets and impairment losses

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

Group	**2015** Gross £000	**Impairment** £000	2014 Gross £000	Impairment £000
Not past due	**8,678**	**-**	18,630	-
Past due (0-30 days)	**5,241**	**-**	2,578	-
Past due (31-120 days)	**130**	**-**	495	-
More than 120 days	**47**	**-**	158	-
	14,096	**-**	21,861	-

Company	**2015** Gross £000	**Impairment** £000	2014 Gross £000	Impairment £000
Not past due	**3,894**	**-**	16,387	-
Past due (0-30 days)	**4,978**	**-**	2,463	-
Past due (31-120 days)	**160**	**-**	53	-
More than 120 days	**47**	**-**	158	-
	9,079	**-**	19,061	-

At 31 December 2015 the Group and the Company had no impairment provision (2014: £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.

22 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.

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 2015	Carrying amount £000	Contractual cash flows £000	1 year or less £000
Trade and other payables	135,946	135,946	135,946
	135,946	**135,946**	**135,946**

Group 2014*	Carrying amount £000	Contractual cash flows £000	1 year or less £000
Trade and other payables	144,060	144,060	144,060
	144,060	**144,060**	**144,060**

* Trade and other payables has been represented to exclude tax payables in 2014.

22 Financial instruments (continued)

Company 2015	**Carrying amount** £000	**Contractual cash flows** £000	**1 year or less** £000
Trade and other payables	119,858	119,858	119,858
	119,858	**119,858**	**119,858**

Company 2014*	**Carrying amount** £000	**Contractual cash flows** £000	**1 year or less** £000
Trade and other payables	136,100	136,100	136,100
	136,100	**136,100**	**136,100**

* Trade and other payables has been represented to exclude tax payables in 2014.

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. Income is received in Euros and US Dollars 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.

22 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	**2015**	2014
	£000	£000
Variable rate instruments		
Financial assets	**74,082**	60,212

Company	**2015**	2014
	£000	£000
Variable rate instruments		
Financial assets	**66,829**	56,985

A change of 100 basis points in interest would either increase or decrease equity by £741,000 (2014: £602,000) for the Group and by £668,000 (2014: £569,000) for the Company. The sensitivity of 100 basis points represents the directors' assessment of a reasonably possible change, based on historic volatility.

23 Cash flows from operating activities

Group	**2015**	2014
	£000	£000
Profit for the year	**8,283**	6,666
Adjustments for:		
Depreciation, amortisation and impairment	**516**	392
Financial income	**(417)**	(388)
Financial expense	**8**	25
Loss on sale of property, plant and equipment	**32**	-
Payments to defined benefit plans	**(2)**	(180)
R & D tax credits	**(1,820)**	(260)
Taxation	**1,657**	1,673
	8,257	7,928
Decrease/(increase) in trade and other receivables	**27,896**	(5,906)
Increase in inventories	**(1,640)**	(14)
(Decrease)/increase in trade and other payables	**(8,785)**	29,531
Decrease in provisions and employee benefits	**(3,057)**	-
	22,671	31,539

23 Cash flows from operating activities (continued)

Company	2015 £000	2014 £000
Profit for the year	**7,929**	5,752
Adjustments for:		
Financial income	**(372)**	(342)
Financial expense	**1**	25
Payments to defined benefit plans	**(2)**	(131)
R & D tax credits	**(1,789)**	(225)
Taxation	**1,531**	1,672
	7,298	6,751
Decrease/(increase) in trade and other receivables	**30,943**	(9,309)
(Decrease)/increase in trade and other payables	**(16,948)**	38,275
Decrease/(increase) in provisions	**(3,057)**	-
	18,236	35,717

24 Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Land and buildings				
Less than one year	**929**	761	**559**	467
Between one and five years	**786**	1,389	**301**	605
More than five years	**-**	176	**-**	-
	1,715	2,326	**860**	1,072

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Plant and machinery				
Less than one year	**35**	-	**-**	-
Between one and five years	**129**	-	**-**	-
	164	-	**-**	-

25 Contingencies

The Group has contingent liabilities in respect of performance bonds, guarantees and actual and potential claims by third parties under contracting and other arrangement entered into during the normal course of business. Whilst the outcome of these matters is uncertain, the directors believe that appropriate provision has been made within the financial statement in respect of these matters.

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 £5,366,000 (2014: £7,218,000).

26 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	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Emoluments	**1,059**	941	**857**	635
Contributions to money purchase pension plans	**134**	149	**94**	98
	1,193	1,090	**951**	733

Related party transactions with fellow group undertakings

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Amounts owed by fellow group undertakings				
At start of year	**8,467**	14,555	**8,453**	14,303
Sales/income	**1,108**	782	**2,870**	782
Receipts	**(1,310)**	(6,870)	**(2,722)**	(6,632)
At end of year	**8,265**	8,467	**8,601**	8,453

All amounts owed by undertakings are derived from trading transactions.

26 Related parties (continued)

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Amounts owed by parent undertakings				
At start of year	**5,472**	5,211	**5,472**	5,211
Sales/income	**187**	5,472	**187**	5,472
Receipts	**(5,604)**	(5,211)	**(5,607)**	(5,211)
At end of year	**55**	5,472	**52**	5,472

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Amounts owed to fellow group undertakings				
At start of year	**5,420**	2,607	**5,487**	2,987
Expenses	**27,852**	30,308	**32,215**	33,722
Payments	**(27,235)**	(27,495)	**(31,883)**	(31,222)
At end of year	**6,037**	5,420	**5,819**	5,487

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 £nil being recognised within cost of sales during the year (2014: £1,070,000).

27 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 its ultimate parent company Storm Investments B.V, a company 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.

28 Accounting estimates and judgements

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

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

(a) Revenue recognition

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

(b) Estimated impairment of goodwill

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

(c) Pension benefits

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 19.