



VolkerFitzpatrick Limited

Directors' Report and Financial Statements

Registered number 02387700

31 December 2012

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Directors

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(Managing Director)

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MG Woods
J Suckling
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AT Foster

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VolkerFitzpatrick Limited
Directors' Report
for the year ended 31 December 2012

The Directors present their Directors' Report and financial statements for the year ended 31 December 2012

Principal activities

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

Business review

2012 continued to see challenging economic conditions for the UK, particularly so for the building market. Revenues remained similar to the previous year as the Group focused on securing high quality work and despite the economic pressures maintained its gross margin profitability whilst investing in staff capability and markets for the future.

The financial highlights of the Group are as follows

	2012 £000	2011 £000
Revenue	466,784	468,303
Gross profit	31,368	32,889
Gross profit margin	7%	7%
Profit before tax	5,514	9,284
Profit before tax margin	1%	2%
Total assets	149,933	133,890
Net assets	42,995	38,507
Forward secured order book	608,978	401,002

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, education, rail, aviation, environmental, energy and other infrastructure.

Commercial

VolkerFitzpatrick has developed an impressive track record in high quality office projects having delivered projects with a combined value of £160m over the last 5 years. In the last 2 years we have moved into the Central London market which has remained healthy despite economic conditions in the UK as a whole. One key example in 2012 is 17-23 Bentinck Street in London W1 for Howard de Walden Estates who own 94 acres of prime real estate in Marylebone. The Bentinck Street project involved the design and build of 40,000ft² of office and three luxury apartments of 4,300ft² on six floors including a basement. The construction involved a retained façade, building over the Jubilee line and obtaining party wall consents. The BREEAM rating on the building is 'Excellent'.

Industrial

VolkerFitzpatrick remained active in 2012 in the construction of major industrial and distribution warehouses working with the sector's leading clients including ProLogis, Goodman, Segro, Tesco and Gazeley. The industrial sector provides us the opportunity to work collaboratively with civil engineering and building disciplines combined as these schemes always involve a significant amount of sub-structure and infrastructure works. Our

civil engineers are amongst the most respected in the industry and always generate value added innovations for our clients

A key project completing in 2012 was Project Hawk, the design and build of a 443,000ft² refrigerated facility for Tesco in Dagenham. The project involved a technical services building with ground floor entrance foyer, goods in and goods out offices, battery charging unit and mezzanine staff accommodation external to the temperature controlled chambers. There is also a vehicle maintenance unit and on a separate plot the RDC processing facility with associated external site works including hardstandings, assets stores, car parking and hard and soft landscaping.

Higher education

This continues to be an active market and we have been principally active in the south east. We have specialised in academic buildings and libraries, and focus on first class service delivery and developing strong working relationships with clients and their consultants.

We are currently working on two iconic buildings for the University of East London (UEL). The UEL Library is a new build BREEAM 'Excellent' building within the Stratford Campus. The building is on three floors and is a concrete framed with a brick and glazed façade and roof mounted photo-voltaic panels. Internally the building is mechanically ventilated and consists of reader study, bookstock and collaborative spaces. University Square is a joint venture between UEL and Birkbeck University and consists of the design and construction of a multi-use academic building comprising lecture, teaching and learning spaces as well as dance studios and meetings room, accommodating 1,700 students.

Rail depots

Major rail depot projects bring together all of VolkerFitzpatrick's skills in building, civil engineering and rail. Our unique approach of creating an integrated project team from our in-house specialists provides genuine client benefits including reduced management costs, a single point of responsibility and better integration and interface of the building, civils and rail elements of the project. A flagship project on the ground in 2012 was the Reading Rail Depot, the construction of the new train care depot and associated facilities as part of the Reading Station Area Redevelopment for Network Rail. The works include a new train care shed, train wash, office accommodation and related buildings, along with access road, footpaths, drainage and rail related civils work extending along the 2km site.

We are also playing a role in enabling the facilities for the new generation of fleet owners and operators who require modern and efficient train care and maintenance programmes for the 21st century railways such as the 2012 award of the three rail depots for Hitachi's new Super Express Trains on the Intercity Express Programme.

Rail infrastructure

VolkerFitzpatrick is 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 Asset Framework in the South East. This work includes platform extensions (Package 3 and Package 9), bridge strengthening, station modifications (Gatwick Station) and repairs.

Aviation

With more than 60 years experience in the aviation construction and maintenance sector, VolkerFitzpatrick offers airfield operators a wide range of capabilities from rehabilitation of runways, construction of new taxiways and buildings through to airport maintenance.

In 2012 we have been delivering projects at airports in Birmingham, Gatwick, Bristol and Glasgow, as well as for the Ministry of Defence across central and eastern England including RAF Lakenheath, RAF Mildenhall and RAF Fairford, often in difficult or complex working conditions within high security environments. Utilising our own batching plants and pavers to lay Pavement Quality Concrete, we work within tight timeframes, minimising lead-in times to

reduce the impact of our works on customers and end users. In the last ten years we have laid in excess of 2,500,000m² of pavement quality concrete at UK airports.

A major contract in 2012 has been the main runway at Gatwick. The 3.3km runway is the airport's critical asset and with 53 hourly aircraft movements it is the world's busiest single runway. Refurbishment of the vital asset, with a 12 year design life, was a challenge that VolkerFitzpatrick, along with our supply chain partners, was able to deliver safely and effectively. The runway covers 400,000m² requiring over 50,000 tonnes of Marshall asphalt to resurface. All surfacing materials were batched on site. Each night shift we planed and re-surfaced 150 metres of runway whilst works progressed to renew the aeronautical ground lighting's 38km of duct and pit systems. Over 1,900 runway and taxiway lights were fitted and fed by 530km of new electrical cabling.

Roads and highways

Covering the full range of road and highways schemes from Section 278 works to new greenfield bypass projects, VolkerFitzpatrick has extensive experience in this key sector. Our asphalt 'neutrality' means that we can offer competitive solutions for pavement options including self-delivered cement based CBGM's. 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.

Major projects on the ground in 2012 included the 1.3km diversion of the A45 for Birmingham City Council; this project will improve and realign a section of dual carriageway adjacent to the airport, including footpaths, cyclepaths and bridlepaths, waterways and all services. This project is part of a larger scheme that includes lengthening the main runway and resurfacing the remainder for Birmingham International Airport Limited.

Bridges and structures

VolkerFitzpatrick have been constructing road bridges, footbridges, rail bridges, culverts, underpasses, retaining walls and complex reinforced concrete structures for over 40 years as part of its infrastructure services. Our engineers specialise in solving difficult access or ground condition problems and have a proven track record of delivery within tight timescales. Our framework teams have delivered multiple task orders across the Essex Structures Frameworks and sea-defence works at Southend-on-Sea. Our detailed planning techniques and collaborative working methods enable us to produce programme certainty and a quality product for our valued customers across the public and private sectors. A key success in 2012 was the opening of the 125 metre box jacked underpass at Ramsgate – the longest jacked structure in the UK only 8 metres below a sensitive rail route which was part of the East Kent Access project for Kent County Council.

Paving

VolkerFitzpatrick has the largest up to date fleet of batching and paving equipment of any contractor in the UK and Ireland; we have a fleet of guidance controlled Gomaco slip form pavers, Vogele concrete pavers, mobile concrete batching plants and associated equipment that is managed and operated by a dedicated, experienced crew. In addition to our UK fleet, we also have access to a similar size fleet from our sister companies in the Royal VolkerWessels Stevin group in Holland. We aren't reliant on ready mix producers because we have our own batching plants, and we continue to drive innovative, unique, cost effective solutions such as adaptation of the standard highway barrier system for anti-terrorist hostile vehicle measures.

Regeneration and Environmental

With the increasing shortage of greenfield development, VolkerFitzpatrick's capacity to assist with the restoration of brownfield sites for its repeat business customers has been a natural part of its value-adding service. Working across both public and private sector, VolkerFitzpatrick has delivered multiple regeneration projects at Greenwich Peninsula, Dagenham, Rainham and Hoe Valley during 2012.

The Hoe Valley scheme involved remediation of a contaminated site with three of our VolkerWessels UK sister companies. The Sketchley Brook scheme at Hinckley involved ground and groundwater remediation through a specialist partner. At Dagenham, our project was for the London Sustainability Park, an area set aside for recycling and regeneration businesses.

We provide integrated design solutions for landfill, waste, land remediation and renewable energy schemes. One of the environmental highlights in 2012 was the delivery of the Southwark Waste Management Facility for Veolia. The 60,000m² site included a mechanical biological treatment facility, material recovery facility, household waste reuse and recycling centre and a recycle discovery centre.

Quality

VolkerFitzpatrick has a quality-led approach to all that we do. In 2012 we started a behavioural change programme, focused on a "get it right first time" culture that involves every employee as well as our supply chain. This will continue to be a significant area of investment, and the outstanding commitment and enthusiasm of our employees in embracing this programme is a valuable advantage to the business.

We have a collaborative approach with clients, our supply chain and wider community stakeholders, and an award-winning "safety without compromise" ethos. In 2012 VolkerFitzpatrick won a Royal Society for the Prevention of Accidents (RoSPA) Gold Award for the fourth year running. One of VolkerFitzpatrick's larger projects, the Reading Train Care Depot was awarded two Platinum Badger Health & Safety Awards from Network Rail, the first contractor to do so for two consecutive quarters.

Our quality approach, along with the engineering expertise, programme management skills and the ability to deliver technical innovation and sustainable construction solutions enable the delivery of successful contracts for our clients and provide a sustainable business model for the future.

VolkerHighways

VolkerHighways specialises in public and private sector highways maintenance and civil engineering, street lighting and hard and soft landscaping projects. Specialist divisions provide surfacing, lighting, traffic management, road marking and fencing. Working in partnership with our clients we are able to share efficiency savings from our recent investments in technology, delivering process re-engineering and increased productivity. As part of this strategy we started the roll out of our new works order management system during 2012 which will continue to be rolled out to our key contracts during the coming year.

Forward order book

At 31 December 2012 the Group's secured order book stood at £609m, a significant rise from the end of 2011 when it stood at £401m.

A major VolkerFitzpatrick contract secured towards the end of 2012 was the depot project for the Intercity Express Programme for the new Hitachi Super Express trains, work which started in 2012 but continues through to 2015. Other major contracts which are anticipated to provide revenue streams beyond 2013 include a Rail Operating Centre at Romford for Network Rail, and the A45 & Birmingham Runway project. An additional major contract secured was the London Highway Alliance Contract award by Transport for London to maintain the highways within the Central London region. As part of a newly created joint venture, VolkerHighways will take a 40% share of this eight year contract which also provides an opportunity for Local Boroughs' participation.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (see note 2.3 for further details)

Principal risks and uncertainties

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

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

Corporate Social Responsibility

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

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

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

We are committed to maintaining high standards in regard to the matters of health, safety, welfare, quality and environmental issues. We seek continual improvement through regular

reviews, inspections and audit of its activities to develop its various management systems and employees

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

Employees

The Group is an equal opportunities employer

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

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

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

Policy and practice on payment of creditors

On every project we harness the expertise of our dedicated and long established supply chain, working together to develop optimum solutions that deliver best value, often on a design and build basis

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

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

At the year end trade creditor days for the Group were 69 (2011: 55) and for the Company were 76 (2011: 61)

Dividends

An interim dividend of £3,100,000 was paid in 2012 (2011: £nil). A further £1,000,000 was approved before the balance sheet date (2011: £nil)

Directors

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

RA Offord
AR Robertson
NA Connell
MG Woods
J Suckling
C Humphrey (appointed 1 March 2013)
VolkerWessels UK Limited

Political and charitable contributions

The company made donations of £6,364 in 2012 (2011 £1,934) Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2011 £nil)

Disclosure of information to auditor

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

Auditor

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

By order of the Board



RA Offord
Director
03 May 2013
VolkerFitzpatrick Limited
Company registered number 02387700

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VolkerFitzpatrick Limited

**Statement of Directors' Responsibilities in respect of the Directors' Report and
Financial Statements
for the year ended 31 December 2012**

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period.

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

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

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

Independent Auditor's Report to the Members of VolkerFitzpatrick Limited
Year ended 31 December 2012

We have audited the financial statements of VolkerFitzpatrick Limited for the year ended 31 December 2012 set out on pages 11 to 56. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 set out on page 9, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Mike Woodward

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

03 May 2013

VolkerFitzpatrick Limited
Consolidated Income Statement
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Revenue	3	466,784	468,303
Cost of sales		<u>(435,416)</u>	<u>(435,414)</u>
Gross profit		31,368	32,889
Administrative expenses		(25,708)	(23,601)
Other operating expenses	4	<u>(4)</u>	<u>(162)</u>
Operating profit	5	5,656	9,126
Financial income	8	526	768
Financial expenses	9	<u>(668)</u>	<u>(610)</u>
Profit before tax		5,514	9,284
Taxation	10	<u>2,890</u>	<u>(1,720)</u>
Profit for the year		<u>8,404</u>	<u>7,564</u>
Profit attributable to equity holders of the parent company		<u>8,404</u>	<u>7,564</u>

All results derive from continuing operations

The profit for the Parent Company for the year was £7,312,000 (2011 £4,705,000)

The notes on pages 19 to 56 form an integral part of the consolidated financial statements

VolkerFitzpatrick Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Profit for the year		8,404	7,564
Other comprehensive income			
Actuarial gains / (losses) on defined benefit pension plans	20	239	(235)
Tax recognised on actuarial gains / (losses)		(55)	59
Other comprehensive expense for the year, net of income tax		184	(176)
Total comprehensive income for the year		8,588	7,388
Profit attributable to equity holders of the parent company		8,588	7,388

The notes on pages 19 to 56 form an integral part of the consolidated financial statements

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
at 31 December 2012

	Note	2012 £000	2011 £000
Non current assets			
Property, plant and equipment	11	8,428	9,172
Intangible assets	12	3,923	3,183
Trade and other receivables	16	2,310	2,167
Deferred tax assets	14	610	329
Employee benefits	20	2,685	1,798
		17,956	16,649
Current assets			
Inventories	15	-	-
Trade and other receivables	16	104,397	95,910
Cash and cash equivalents	17	27,580	21,331
		131,977	117,241
Total assets		149,933	133,890
Equity attributable to equity holders of the parent			
Share capital	21	6,000	6,000
Retained earnings		36,995	32,507
Total equity		42,995	38,507
Non current liabilities			
Loans and borrowings	18	-	1,754
Trade and other payables	19	-	-
Deferred tax liabilities	14	618	449
		618	2,203
Current liabilities			
Loans and borrowings	18	-	1,754
Trade and other payables	19	103,840	89,841
Tax payable		2,480	1,585
		106,320	93,180
Total liabilities		106,938	95,383
Total equity and liabilities		149,933	133,890

These financial statements were approved by the Board of Directors on 03 May 2013 and were signed on its behalf by



RA Offord
Director

Company registered number 02387700

The notes on pages 19 to 56 form an integral part of the consolidated financial statements

VolkerFitzpatrick Limited
Company Statement of Financial Position
at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Non current assets			
Property, plant and equipment	11	7,693	8,714
Intangible assets	12	1,667	1,828
Investments	13	7,178	7,178
Trade and other receivables	16	2,304	2,032
Deferred tax assets	14	330	55
Employee benefits	20	2,035	1,258
		21,207	21,065
Current assets			
Trade and other receivables	16	84,963	68,770
Cash and cash equivalents	17	20,544	13,538
		105,507	82,308
Total assets		126,714	103,373
Equity attributable to equity holders of the company			
Share capital	21	6,000	6,000
Retained earnings		30,144	26,738
Total equity		36,144	32,738
Non current liabilities			
Trade and other payables	19	-	-
Deferred tax liabilities	14	468	325
		468	325
Current liabilities			
Trade and other payables	19	88,930	69,675
Tax payable		1,173	635
		90,103	70,310
Total liabilities		90,571	70,635
Total equity and liabilities		126,714	103,373

These financial statements were approved by the Board of Directors on 03 May 2013 and were signed on its behalf by



RA Offord
Director

Company registered number 02387700

The notes on pages 19 to 56 form an integral part of the consolidated financial statements

VolkerFitzpatrick Limited
Consolidated Statement of Changes in Equity
at 31 December 2012

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2011	6,000	25,119	31,119
Comprehensive income			
Profit for year	-	7,564	7,564
Other comprehensive income			
Actuarial losses on defined benefit pension plans, net of tax	-	(176)	(176)
Balance at 31 December 2011	6,000	32,507	38,507
Balance at 1 January 2012	6,000	32,507	38,507
Comprehensive income			
Profit for year	-	8,404	8,404
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	184	184
Transactions with owners			
Dividends relating to 2012	-	(4,100)	(4,100)
Balance at 31 December 2012	6,000	36,995	42,995

The notes on pages 19 to 56 form an integral part of the consolidated financial statements

VolkerFitzpatrick Limited
Company Statement of Changes in Equity
at 31 December 2012

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2011	6,000	22,374	28,374
Comprehensive income			
Profit for year	-	4,705	4,705
Other comprehensive income			
Actuarial losses on defined benefit pension plans, net of tax	-	(341)	(341)
Transactions with owners			
Dividends relating to 2011	-	-	-
Balance at 31 December 2011	6,000	26,738	32,738
Balance at 1 January 2012	6,000	26,738	32,738
Comprehensive income			
Profit for year	-	7,312	7,312
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	194	194
Transactions with owners			
Dividends relating to 2012	-	(4,100)	(4,100)
Balance at 31 December 2012	6,000	30,144	36,144

The notes on pages 19 to 56 form an integral part of the consolidated financial statements

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2012

		2012	2011
	<i>Note</i>	£000	£000
Cash flows from operating activities	24	11,192	(6,488)
Interest paid		(248)	(111)
Tax received / (paid)		3,617	(3,377)
Net cash from operating activities		14,561	(9,976)
Cash flows from investing activities			
Proceeds from disposal of leasehold property		-	584
Proceeds from sale of plant, property and equipment		180	-
Transfer of property, plant and equipment to fellow group undertakings		-	16
Interest received		62	208
Acquisition of plant, property and equipment		(799)	(249)
Acquisition of intangibles		(1,188)	(2,378)
Net cash from investing activities		(1,745)	(1,819)
Cash flows from financing activities			
Repayment of finance lease liabilities		-	(3)
Decrease in group indebtedness		(3,508)	(1,754)
Dividends paid to Company's shareholders		(3,100)	-
Net cash from financing activities		(6,608)	(1,757)
Net increase/(decrease) in cash and cash equivalents		6,208	(13,552)
Cash and cash equivalents at 1 January		21,331	34,870
Effect of exchange rate fluctuations on cash held		41	13
Cash and cash equivalents at 31 December	17	27,580	21,331

The notes on pages 19 to 56 form an integral part of the consolidated financial statements

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Cash flows from operating activities	24	6,394	(9,133)
Interest paid		(230)	(38)
Tax received / (paid)		2,315	(1,811)
Net cash from operating activities		8,479	(10,982)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		154	-
Interest received		25	140
Dividends received		2,000	-
Acquisition of property, plant and equipment		(301)	(153)
Transfer of property, plant and equipment from fellow group undertakings		(5)	(19)
Acquisition of intangibles		(287)	(1,452)
Net cash from investing activities		1,586	(1,484)
Cash flows from financing activities			
Dividends paid to Company's shareholders		(3,100)	-
Net cash from financing activities		(3,100)	-
Net increase/(decrease) in cash and cash equivalents		6,965	(12,466)
Cash and cash equivalents at 1 January		13,538	25,991
Effect of exchange rate fluctuations on cash held		41	13
Cash and cash equivalents at 31 December	17	20,544	13,538

The notes on pages 19 to 56 form an integral part of the consolidated financial statements

1. General information

The Company is incorporated and domiciled in the UK

2. Accounting policies

2.1 Basis of preparation

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial 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 Business Review section of the Directors' Report on pages 2 to 5. In addition, note 23 to the financial statements includes the Group objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk and liquidity risk.

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

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

2.4 Basis of consolidation

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

2. Accounting policies (continued)

2.5 Jointly controlled operations

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

2.6 Foreign currency

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

2.7 Property, plant and equipment

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

Buildings	17-25 years
Plant, machinery and vehicles	4-6 years
Fixtures, fittings, tools and equipment	4 years

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

2.8 Intangible assets and goodwill

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

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

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

Software	3-5 years
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2. Accounting policies (continued)

2 9 Operating and finance leases

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

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

2 10 Employee benefits

Defined contribution plans

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

Defined benefit plans

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

2 11 Construction contract debtors

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

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

2. Accounting policies (continued)

2.12 Inventories

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

2.13 Impairment excluding inventories, investment properties and deferred tax assets

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

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

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

2. Accounting policies (continued)

2 14 Financial Instruments

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

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

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the 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 foreign currency accounting policy). Financing income comprises interest receivable on funds invested, dividend income and net foreign exchange gains

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

2. Accounting policies (continued)

2 17 Provisions

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

2 18 Taxation

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

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

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

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

2 19 Revenue

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

Construction contracts

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

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

Service contract revenues

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

2. Accounting policies (continued)

2 20 Intra-group financial instruments

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

2 21 Adopted IFRS not yet applied

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

- IFRS 9 'Financial Instruments' (mandatory for year commencing on or after 1 January 2013)
- IFRS 13 'Fair Value Measurement' (mandatory for year commencing on or after 31 December 2012. The standard requires increased disclosure of fair value measurements)
- Amendments to IAS 19 'Employee Benefits' (mandatory for year commencing on or after 31 December 2012)
- IFRS 10 'Consolidated Financial Statements' (mandatory for year commencing on or after 1 January 2013)

3. Revenue

Revenues are comprised as follows

	2012	2011
	£000	£000
Construction contract revenues	370,095	354,409
Service contract revenues	96,689	113,894
Total revenues	466,494	468,303

Substantially all revenue relates to sales made in the United Kingdom

4. Other operating expenses

	2012	2011
	£000	£000
Loss on disposal of property, plant and equipment	4	162

5. Operating profit

Operating profit is stated after charging

	2012 £000	2011 £000
<i>Depreciation of plant, property and equipment</i>		
- owned assets	1,359	1,480
Amortisation of intangible assets	448	204
<i>Operating lease charges</i>		
- plant and machinery	-	-
- other	1,989	922
<i>Auditor's remuneration</i>		
- audit of these financial statements	112	110
- audit of financial statements of subsidiaries pursuant to legislation	46	40
- other services	1	3

6. Staff numbers and costs

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

	2012 No	2011 No
Management & administrative	267	248
Operational	914	903
	1,181	1,151

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	53,095	49,226
Social security costs	5,727	5,115
Contributions to defined contribution plans	1,871	2,578
Expense related to defined benefit plans	-	5
	60,693	56,924

7. Directors' remuneration

	2012	2011
	£000	£000
Directors' emoluments	1,661	1,722
Company contributions to money purchase pension plans	231	177
	1,892	1,899

The emoluments of the highest paid Director were £557,000 (2011 £530,000) and company pension contributions of £68,000 (2011 £66,000) were made to a money purchase scheme on his behalf

Retirement benefits are accruing to the following number of directors under

	2012	2011
	Number	Number
Money purchase schemes	5	5

8. Financial income

	2012	2011
	£000	£000
Interest income on short-term bank deposits	62	208
Expected return on defined benefit pension plan assets	423	547
Net foreign exchange gain	41	13
Total financial income	526	768

9. Financial expenses

	2012 £000	2011 £000
Interest on defined benefit plan obligations	420	499
Interest on borrowings	248	111
Total financial expense	668	610

10. Taxation

a) Analysis of the tax recognised in the income statement

	2012 £000	2011 £000
<i>Current tax expense</i>		
UK corporation tax		
Current year	1,216	2,174
Adjustments for prior years	(3,964)	(516)
Foreign tax		
Current year	-	-
Adjustments for prior years	25	(28)
Current tax (income) / expense	(2,723)	1,630
<i>Deferred tax expense/(income)(see note 14)</i>		
Origination and reversal of temporary differences	225	(11)
Change in tax rate	(13)	(5)
Adjustments for prior years	(379)	106
Deferred tax (income) / expense	(167)	90
Total tax (income) / expense	(2,890)	1,720

10. Taxation (continued)

b) Reconciliation of effective tax rate

	2012 £000	2011 £000
Profit for the year	8,404	7,564
Total tax expense	(2,890)	1,720
Profit excluding taxation	5,514	9,284
 Tax using the UK corporation tax rate of 24.5% (2010: 26.5%)	 1,351	 2,460
<i>Effects of</i>		
Non deductible expenses	89	60
Effect of research and development tax concession	(270)	(223)
Other	297	(134)
Effect of change in tax rate	(13)	(5)
Adjustments for prior years	(4,344)	(438)
 Total tax expense	 (2,890)	 1,720

For the year ended 31 December 2012, the adjustment for prior years is as a result of claiming group relief from a fellow group undertaking, at a rate lower than the UK corporation tax rate, subsequent to approving the 2011 financial statements

c) Tax recognised directly in equity

	2012 £000	2011 £000
Deferred tax recognised directly in equity	(55)	59

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

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax balances at 31 December 2012 have been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax balances accordingly.

11. Property, plant and equipment

Group	Land and buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2011	7,047	12,521	751	20,319
Additions	-	201	48	249
Transfer (to) / from fellow group undertaking	-	(105)	43	(62)
Acquisition through business combinations	-	-	65	65
Disposals	-	(2,257)	(11)	(2,268)
At 31 December 2011	7,047	10,360	896	18,303
At 1 January 2012	7,047	10,360	896	18,303
Additions	-	441	358	799
Disposals	-	(2,023)	(3)	(2,026)
At 31 December 2012	7,047	8,778	1,251	17,076
Depreciation and impairment				
At 1 January 2011	800	8,466	537	9,803
Charge for the year	267	1,100	113	1,480
Transfer (to) /from fellow group undertaking	-	(53)	7	(46)
Acquisition through business combinations	-	-	2	2
Disposals	-	(2,097)	(11)	(2,108)
At 31 December 2011	1,067	7,416	648	9,131
At 1 January 2012	1,067	7,416	648	9,131
Charge for the year	267	905	187	1,359
Disposals	-	(1,839)	(3)	(1,842)
At 31 December 2012	1,334	6,482	832	8,648
Net book value				
At 31 December 2012	5,713	2,296	419	8,428
At 31 December 2011	5,980	2,944	248	9,172
At 1 January 2011	6,247	4,055	214	10,516

11. Plant, property and equipment (continued)

Company	Land and buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2011	7,047	10,468	721	18,236
Additions	-	104	49	153
Transfer (to) / from fellow group undertaking	-	(62)	43	(19)
Transfer from intangible assets	-	-	65	65
Disposals	-	(1,960)	(9)	(1,969)
At 31 December 2011	7,047	8,550	869	16,466
At 1 January 2012	7,047	8,550	869	16,466
Additions	-	37	264	301
Transfer from fellow group undertaking	-	16	-	16
Disposals	-	(1,229)	-	(1,229)
At 31 December 2012	7,047	7,374	1,133	15,554
Depreciation and impairment				
At 1 January 2011	800	7,185	531	8,516
Charge for the year	267	768	103	1,138
Transfer from fellow group undertaking	-	(45)	7	(38)
Transfer to intangible assets	-	-	2	2
Disposals	-	(1,857)	(9)	(1,866)
At 31 December 2011	1,067	6,051	634	7,752
At 1 January 2012	1,067	6,051	634	7,752
Charge for the year	267	732	179	1,178
Transfer (to)/from fellow group undertaking	-	11	-	11
Disposals	-	(1,080)	-	(1,080)
At 31 December 2012	1,334	5,714	813	7,861
Net book value				
At 31 December 2012	5,713	1,660	320	7,693
At 31 December 2011	5,980	2,499	235	8,714
At 1 January 2011	6,247	3,283	190	9,720

12. Intangible assets

Group	Goodwill	Software	Total
	£000	£000	£000
Cost			
Balance at 1 January 2011	403	1,276	1,679
Additions	-	2,378	2,378
Assets transferred to PPE	-	(65)	(65)
Balance at 31 December 2011	403	3,589	3,992
Balance at 1 January 2012	403	3,589	3,992
Additions	-	1,188	1,188
Balance at 31 December 2012	403	4,777	5,180
Amortisation and impairment			
Balance at 1 January 2011	-	607	607
Assets transferred from PPE	-	(2)	(2)
Amortisation for the year	-	204	204
Balance at 31 December 2011	-	809	809
Balance at 1 January 2012	-	809	809
Amortisation for the year	-	448	448
Balance at 31 December 2012	-	1,257	1,257
Net book value			
At 31 December 2012	403	3,520	3,923
At 31 December 2011	403	2,780	3,183
At 1 January 2011	403	669	1,072

Included within software are £1,607,271 of assets in the course of construction. These assets have not been amortised. Amortisation will commence once the assets are available for use.

Goodwill is allocated to the Group's cash generating units ("CGUs") which have been identified on a sub-group basis. A summary of the carrying value presented by CGU as at 31 December 2012 and 2011 is shown below.

	2012	2011
	£000	£000
VolkerHighways	403	403

12. Intangible assets (continued)

Impairment testing

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

	2012	2011
Period on which management approved forecasts are based	5 years	3 years
Growth rate applied beyond approved forecast period	5%	5%
Discount rate	8%	8%

Company	Software £000
Cost	
Balance at 1 January 2011	1,250
Assets transferred from PPE	(65)
Additions	1,452
Balance at 31 December 2011	2,637
Balance at 1 January 2012	2,637
Additions	287
Balance at 31 December 2012	2,924
Amortisation and impairment	
Balance at 1 January 2011	607
Assets transferred from PPE	(2)
Amortisation for the year	204
Balance at 31 December 2011	809
Balance at 1 January 2012	809
Amortisation for the year	448
Balance at 31 December 2012	1,257
Net book value	
At 31 December 2012	1,667
At 31 December 2011	1,828
At 1 January 2011	643

Amortisation charge

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

	2012 £000	2011 £000
Administrative expenses	448	204

13. Investments

Company	Shares in group undertakings £000
Cost	
At 1 January 2011 and 31 December 2011	7,178
At 1 January and 31 December 2012	<u>7,178</u>

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

Subsidiary undertakings	Principle activities	Class of shares held	Ownership %
			2012 2011
VolkerHighways Limited*	Maintenance	Ordinary	100% 100%
VolkerHighways Mews Limited*	Non-trading	Ordinary	100% 100%
<i>* directly held by the Company</i>			

Jointly controlled operations	Principle activities	JCO partner	Address	Company Share %
				2012 2011
Fitzpatrick Lafarge	Construction	Lafarge Aggregates Limited	1 & 2	70% 70%
Fitzpatrick Hochtief	Construction	Hochtief (UK) Construction Limited	1 & 3	50% 50%
Fitzpatrick Colas	Construction	Colas Limited	1 & 4	50% 50%
1 Hertford Road Hoddesdon Hertfordshire EN11 9BX		2 Granite House Granite Way Syston Leicester LE7 1PL	3 Epsilon Windmill Hill Business Park Whitehill Way Swindon SN5 6NX	
4 Wallage Lane Crawley West Sussex RH10 0NS				

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

14. Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

Group	Assets		Liabilities	
	2012 £000	2011 £000	2012 £000	2011 £000
Property, plant and equipment	531	264	-	-
Employee benefits	-	-	(618)	(449)
Provisions	79	65	-	-
Tax assets/(liabilities)	610	329	(618)	(449)

Company	Assets		Liabilities	
	2012 £000	2011 £000	2012 £000	2011 £000
Property, plant and equipment	251	-	-	(11)
Employee benefits	-	-	(468)	(314)
Provisions	79	55	-	-
Tax assets/(liabilities)	330	55	(468)	(325)

b) Movement in deferred tax in the year

Group	1 January 2012 £000	Recognised in income £000	Recognised in equity £000	31 December 2012 £000
	£000	£000	£000	£000
Property, plant and equipment	264	267	-	531
Employee benefits	(449)	(114)	(55)	(618)
Provisions	65	14	-	79
	(120)	167	(55)	(8)

Company	1 January 2012 £000	Recognised in income £000	Recognised in equity £000	31 December 2012 £000
	£000	£000	£000	£000
Property, plant and equipment	(11)	262	-	251
Employee benefits	(314)	(96)	(58)	(468)
Provisions	55	24	-	79
	(270)	190	(58)	(138)

14. Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior year

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

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

On 21 March 2012 the Chancellor of the Exchequer announced a reduction in the main rate of UK corporation tax to 24 per cent with effect from 1 April 2012 and 23 per cent with effect from 1 April 2013. These changes were substantively enacted on 3 July 2012.

On 5 December 2012 the Chancellor of the Exchequer announced a further reduction to 21 per cent with effect from 1 April 2014, however, as this change was not substantively enacted at the balance sheet date its effects, which are not thought to be material, are not reflected in the financial statements.

15 Inventories

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Raw materials and consumables	-	-	-	-

Raw materials and consumables recognised as cost of sales in the year amounted to £52,558,000 (2011 £58,085,000)

16 Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade receivables	16,008	24,000	11,800	14,424
Construction contract debtors	81,716	65,610	69,247	48,146
Amounts owed by group undertakings	6,252	5,621	3,534	5,601
Prepayments	2,731	2,846	2,686	2,631
	106,707	98,077	87,267	70,802
Current	104,397	95,910	84,963	68,770
Non current	2,310	2,167	2,304	2,032
	106,707	98,077	87,267	70,802

Included within construction contract work debtors is £2,310,000 (2011 £2,167,000) for the Group and £2,304,000 (2011 £2,032,000) for the Company expected to be recovered in over 12 months

At 31 December 2012, aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £1,993,007,000 (2011 £1,632,888,000) for the Group and £1,459,590,000 (2011 £1,190,623,000) for the Company

At 31 December 2012, construction contract debtors include retentions of £17,334,000 (2011 £13,127,000) relating to construction contracts in progress

17. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Cash and cash equivalents	27,580	21,331	20,544	13,538

18. Interest-bearing loans and borrowings

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

Group	2012	2011
	£000	£000
Loans from fellow group undertakings	-	3,508
	-	3,508
Current	-	1,754
Non current	-	1,754
	-	3,508

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

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2012	Carrying amount 2011
				£000	£000
Loans from fellow undertakings	GBP	Base rate + 0.8%	2013	-	3,508
				-	3,508

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

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

19. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade payables	82,297	62,472	71,052	50,167
Amounts owed to group undertakings	2,856	1,679	3,035	2,799
Amounts due to customers for contract work	8,564	14,541	5,772	7,701
Non trade payables and accrued expenses	10,123	10,238	9,071	8,274
Other payables	-	911	-	734
	103,840	89,841	88,930	69,675
Current	103,840	89,841	88,930	69,675
Non current	-	-	-	-
	103,840	89,841	88,930	69,675

Included within trade payables is £nil (2011 £nil) for the Group and Company expected to be settled in over 12 months

20. Employee benefits

Group

a) Defined benefit plans

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

Group	Gabriel Contractors Limited Defined Benefit Scheme	Fitzpatrick Pension Scheme	Fitzpatrick Greenwich Pension Scheme	Total
	£000	£000	£000	£000
2012				
Fair value of plan assets	3,389	5,787	2,055	11,231
Present value of funded defined benefit obligations	(2,739)	(4,565)	(1,242)	(8,546)
Surplus in schemes	650	1,222	813	2,685
2011				
Fair value of plan assets	3,050	5,940	1,939	10,929
Present value of funded defined benefit obligations	(2,510)	(5,417)	(1,204)	(9,131)
Surplus in schemes	540	523	735	1,798

20. Employee benefits (continued)

Movements in present value of defined benefit obligations

Group	2012 £000	2011 £000
At 1 January	(9,131)	(9,365)
Current service cost	-	(5)
Interest cost	(420)	(499)
Actuarial (losses)/gains	(161)	132
Contributions by members	-	(1)
Benefits paid	1,166	607
At 31 December	(8,546)	(9,131)

Movements in fair value of plan assets

Group	2012 £000	2011 £000
At 1 January	10,929	10,800
Expected return on plan assets	423	547
Actuarial gains/(losses)	400	(367)
Contributions by employer	645	555
Contributions by members	-	1
Benefits paid	(1,166)	(607)
At 31 December	11,231	10,929

The income recognised in the income statement

Group	2012 £000	2011 £000
Current service cost	-	(5)
Interest on defined benefit pension plan obligation	(420)	(499)
Expected return on defined benefit pension plan assets	423	547
	3	43

20. Employee benefits (continued)

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

Group	2012 £000	2011 £000
Administrative expenses	-	(5)
Finance income	423	547
Finance expense	(420)	(499)
	<u>3</u>	<u>43</u>

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

Group	2012 £000	2011 £000
Cumulative amount at 1 January	(1,934)	(1,699)
Recognised in the year	239	(235)
Cumulative amount at 31 December	<u>(1,695)</u>	<u>(1,934)</u>

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

Group	2012 £000	2011 £000
Equities	4,320	4,299
Bonds	6,911	4,556
Other	-	2,074
	<u>11,231</u>	<u>10,929</u>
Actual return on plan assets	<u>973</u>	<u>180</u>

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

20. Employee benefits (continued)

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

Group	2012 %	2011 %
Discount rate	4.5	4.9
Salary increase	3.1	3.1
Inflation	3.1	3.1
Expected return on plan assets	3.1	4.0
Rate of increases of pensions in payment	0.0	1.4
Rate of increase for deferred pensioners	2.5	2.3

In valuing the liabilities of the pension fund at 31 December 2012, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2012 would have increased by £200,000 before deferred tax (2011: £190,000).

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

Group	Male Years	Female Years
Current pensioner aged 65	20.8	23.1
Future retiree upon reaching 65 in 20 years	22.1	24.7

20 Employee benefits (continued)

History of plans

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

Group	2012	2011	2010	2009	2008
<i>Balance Sheet</i>	£000	£000	£000	£000	£000
Fair value of plan assets	11,231	10,929	10,800	10,512	8,904
Present value of the defined benefit obligation	(8,546)	(9,131)	(9,365)	(8,909)	(7,184)
Surplus/(deficit)	2,685	1,798	1,435	1,603	1,720
	2012	2011	2010	2009	2008
<i>Experience Adjustments</i>	£000	£000	£000	£000	£000
Experience adjustments on plan liabilities	(161)	132	(166)	(616)	367
Experience adjustments on plan assets	400	(367)	(31)	841	(1,577)
	239	(235)	(197)	225	(1,210)

The Group expects to contribute approximately £479,000 (2011 £475,000) to these defined benefit plans in the next financial year

Company

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

Company	Fitzpatrick Pension Scheme	Fitzpatrick Greenwich Pension Scheme	Total
	£000	£000	£000
2012			
Fair value of plan assets	5,787	2,055	7,842
Present value of funded defined benefit obligations	(4,565)	(1,242)	(5,807)
Surplus in schemes	1,222	813	2,035
2011			
Fair value of plan assets	5,940	1,939	7,879
Present value of funded defined benefit obligations	(5,417)	(1,204)	(6,621)
Surplus in schemes	523	735	1,258

20. Employee benefits (continued)

Movements in present value of defined benefit obligations

Company	2012	2011
	£000	£000
At 1 January	(6,621)	(6,818)
Current service cost	-	(5)
Interest cost	(299)	(360)
Actuarial gains	20	7
Contributions by members	-	(1)
Benefits paid	1,093	556
At 31 December	(5,807)	(6,621)

Movements in fair value of plan assets

Company	2012	2011
	£000	£000
At 1 January	7,879	8,001
Expected return on plan assets	318	415
Actuarial gains/(losses)	232	(462)
Contributions by employer	506	480
Contributions by members	-	1
Benefits paid	(1,093)	(556)
At 31 December	7,842	7,879

The income/(expense) recognised in the income statement

Company	2012	2011
	£000	£000
Current service cost	-	(5)
Interest on defined benefit pension plan obligation	(299)	(360)
Expected return on defined benefit pension plan assets	318	415
	19	50

20 Employee benefits (continued)

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

Company	2012 £000	2011 £000
Cumulative amount at 1 January	(1,573)	(1,118)
Recognised in the year	252	(455)
Cumulative amount at 31 December	(1,321)	(1,573)

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

Company	2012 £000	2011 £000
Equities	3,447	3,535
Bonds	4,395	3,108
Other	-	1,236
	7,842	7,879
Actual return on plan assets	700	(47)

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

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

Company	2012 %	2011 %
Discount rate	4.5	4.9
Salary increase	3.1	3.1
Inflation	3.1	3.1
Expected return on plan assets	3.6	4.2
Allowance for pension in payment increases of RPI or 5% if less	0.0	0.7
Allowance for revaluation of deferred pensions of RPI or 5% if less	2.5	2.1

20 Employee benefits (continued)

In valuing the liabilities of the pension fund at 31 December 2012, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2012 would have increased by £120,000 before deferred tax (2011: £190,000).

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

Company	Male Years	Female Years
Current pensioner aged 65	20.8	23.1
Future retiree upon reaching 65 in 20 years	22.1	24.7

History of plans

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

Company	2012	2011	2010	2009	2008
<i>Balance Sheet</i>	£000	£000	£000	£000	£000
Fair value of plan assets	7,842	7,879	8,001	7,815	6,595
Present value of the defined benefit obligation	(5,807)	(6,621)	(6,818)	(6,445)	(5,387)
Surplus	2,035	1,258	1,183	1,370	1,208
	2012	2011	2010	2009	2008
<i>Experience Adjustments</i>	£000	£000	£000	£000	£000
Experience adjustments on plan liabilities	20	7	(166)	(31)	(79)
Experience adjustments on plan assets	232	(462)	14	686	(1,024)
	252	(455)	(152)	655	(1,103)

The Company expects to contribute approximately £419,000 (2011: £415,000) to these defined benefit plans in the next financial year.

b) Defined contribution plans

The Group also operates a number of defined contribution plans. The total expense for the Group was £1,871,118 (2011: £2,578,000) and creditor outstanding relating to these plans was £517,000 (2011: £368,000).

The outstanding pensions creditor for the company was £356,000 (2011: £186,000).

21. Share capital

	Number of shares	Ordinary shares £000
At 31 December 2011 and 31 December 2012	6,000,000	6,000

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

22. Dividends

An interim dividend of £3,100,000 was paid during the year (2011 £nil) A further £1,000,000 interim dividend was approved for payment before the balance sheet date (2011 £nil) No final dividend for 2012 has been proposed (2011 £nil)

23 Financial instruments

a) Fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest bearing loans and borrowings

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

23. Financial instruments (continued)

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

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

Group	2012 £000	2011 £000
Trade and other receivables (see note 16)	106,707	98,077
Cash and cash equivalents (see note 17)	27,580	21,331
Total financial assets	134,287	119,408
Trade and other payables (see note 19)	103,840	89,841
Loans and borrowings (see note 18)	-	3,508
Total financial liabilities	103,840	93,349
Total financial instruments	30,447	26,059
 Company	 2012 £000	 2011 £000
Trade and other receivables (see note 16)	87,267	70,802
Cash and cash equivalents (see note 17)	20,544	13,538
Total financial assets	107,811	84,340
Trade and other payables (see note 19)	88,930	69,675
Total financial liabilities	88,930	69,675
Total financial instruments	18,881	14,665

b) Credit risk

Credit risk management

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

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

23. Financial instruments (continued)

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

Exposure to credit risk

The carrying amount of trade and other receivables in financial assets represents the maximum credit exposure which was £106,707,000 at 31 December 2012 (2011 £98,077,000) for the Group and £87,267,000 at 31 December 2012 (2011 £70,802,000) for the Company. The maximum exposure to credit risk for trade receivables at the balance sheet date by business segment and type of customer was as follows:

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Building	2,037	1,240	2,037	1,240
Civil Engineering	13,971	22,760	9,763	13,184
	16,008	24,000	11,800	14,424

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Public sector customers	2,605	10,917	1,938	1,945
Private sector customers	13,403	13,083	9,862	12,479
	16,008	24,000	11,800	14,424

Credit quality of financial assets and impairment losses

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

Group	2012		2011	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	11,723	-	18,802	-
Past due (0-30 days)	3,356	-	3,593	-
Past due (31-120 days)	557	-	991	-
More than 120 days	372	-	663	(49)
	16,008	-	24,049	(49)

23. Financial instruments (continued)

Company	2012		2011	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	9,012	-	13,473	-
Past due (0-30 days)	2,006	-	227	-
Past due (31-120 days)	410	-	200	-
More than 120 days	372	-	524	-
	11,800	-	14,424	-

Movements in impairment provisions are summarised below

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

As 31 December 2012 the Company had £nil impairment provision (2011 £nil) and did not provide against any debt during the year

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

c) Liquidity risk

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

VolkerWessels UK Limited has access to £25 million of committed revolving credit facilities and £12 million of uncommitted overdraft facilities, which are made available to the Company. At the balance sheet date, VolkerWessels UK Limited was not required to draw down on these facilities.

23. Financial instruments (continued)

Contractual maturity of financial liabilities

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

Group	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000
2012				
Trade and other payables	103,840	103,840	103,840	-
Tax payable	2,480	2,480	2,480	-
	106,320	106,320	106,320	-
2011				
Trade and other payables	89,841	89,841	89,841	-
Loans and borrowings	3,508	3,557	1,790	1,767
Tax payable	1,585	1,585	1,585	-
	94,934	94,983	93,216	1,767
Company				
	£000	£000	£000	£000
2012				
Trade and other payables	88,930	88,930	88,930	-
Tax payable	1,173	1,173	1,173	-
	90,103	90,103	90,103	-
2011				
Trade and other payables	69,675	69,675	69,675	-
Tax payable	635	635	635	-
	70,310	70,310	70,310	-

d) Market risk

Financial risk management

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

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

23 Financial instruments (continued)

Profile of interest bearing financial instruments

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

Group	2012	2011
	£000	£000
<i>Variable rate instruments</i>		
Financial assets	27,580	21,331
Financial liabilities	-	(3,508)
	27,580	17,823

Company	2012	2011
	£000	£000
<i>Variable rate instruments</i>		
Financial assets	20,544	13,538

A change of 100 basis points in interest would either increase or decrease equity by £276,000 (2011 £178,000) for the Group and by £205,000 (2011 £135,000) for the Company

e) Capital management

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

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

24. Cash flows from operating activities

	Group	
	2012	2011
	£000	£000
Profit for the year	8,404	7,564
<i>Adjustments for</i>		
Depreciation, amortisation and impairment	1,807	1,684
Financial income	(526)	(768)
Financial expense	668	610
Loss on sale of PPE	5	162
Payments to defined benefit plans	(645)	(555)
Taxation	(2,890)	1,720
	6,823	10,417
Increase in trade and other receivables	(8,630)	(15,272)
Decrease in inventories	-	772
Increase/(decrease) in trade and other payables	12,999	(2,405)
	11,192	(6,488)

	Company	
	2012	2011
	£000	£000
Profit for the year	7,312	4,705
<i>Adjustments for</i>		
Depreciation, amortisation and impairment	1,626	1,342
Financial income	(384)	(568)
Financial expense	529	398
Dividend income	(3,000)	-
Gain / (loss) on sale of PPE	(5)	103
Payments to defined benefit plans	(506)	(480)
Taxation	(1,967)	787
	3,605	6,287
Increase in trade and other receivables	(16,466)	(7,817)
Decrease in inventories	-	-
Increase/(decrease) in trade and other payables	19,255	(7,603)
	6,394	(9,133)

25. Operating lease commitments

Non cancellable operating lease rentals are payable as follows

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
<i>Land and buildings</i>				
Less than one year	1,016	609	608	341
Between one and five years	1,872	1,113	1,351	513
More than five years	336	22	245	22
	3,224	1,744	2,204	876
<i>Plant and machinery</i>				
Between one and five years	-	-	-	-
	-	-	-	-

26. Contingencies

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

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

The Company, as a result of a VolkerWessels UK Limited group registration for VAT, is jointly and severally liable for the VAT liabilities of its subsidiary undertakings. At the accounting date, the Group liability was £9,028,000 (2011 £6,130,000)

27. Related parties

Related party transactions

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

Compensation of key management

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

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Emoluments	1,892	1,965	1,661	1,722
Contributions to money purchase pension plans	264	204	231	177
	2,156	2,169	1,892	1,899

27. Related parties (continued)

Related party transactions with fellow group undertakings

	<u>Group</u>	<u>Company</u>
Amounts owed by undertaking		
At start of year	5,621	5,601
Sales	2,822	-
Receipts	(2,191)	(3,067)
Dividends	-	1,000
At end of year	<u>6,252</u>	<u>3,534</u>
Amounts owed to undertaking		
At start of year	1,679	2,799
Expenses	5,295	3,032
Payments	(5,118)	(3,796)
Dividends	1,000	1,000
At end of year	<u>2,856</u>	<u>3,035</u>
Loans owed to undertaking		
At start of year	3,508	-
Repayments	(3,508)	-
At end of year	<u>-</u>	<u>-</u>

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

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

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

29. Accounting estimates and judgements

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

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

(a) Revenue recognition

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

(b) Estimated impairment of goodwill

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

(c) Pension benefits

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 20.