



VolkerFitzpatrick Limited

Annual Report and Financial Statements

Registered number 02387700

31 December 2013

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Directors

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(Managing Director)

NA Connell
C Humphrey
AR Robertson
J Suckling
MG Woods
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AT West

Auditor
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Principal bankers

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Principal activities

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

Business review

Economic conditions for contracting companies remained challenging in 2013, with supply chain stability still a significant issue, local authority austerity cuts still affecting maintenance and capital spending, and contract pricing intensely competitive, particularly in the building sector

Revenue remained stable, dropping marginally compared to 2012, as a result of the slow start up of the London Highways Alliance Contract (LoHAC) award by Transport for London (TfL) in VolkerHighways. This was however, largely offset by increased revenue in VolkerFitzpatrick, particularly in the Rail depots sector

The Group has maintained its clear focus on the selection of high quality opportunities to tender with blue chip and public sector clients and has its highest ever order book at £823 million, representing a very healthy future outlook for the Group

In overall terms, the Group delivered an improved profit before tax, and a strengthened balance sheet

The financial highlights of the Group are as follows

	2013	2012
	£000	£000
Revenue	460,256	466,784
Gross profit	27,925	31,368
Gross profit margin	6.1%	6.7%
Profit before tax	6,171	5,514
Profit before tax margin	1.3%	1.2%
Total assets	171,191	149,933
Net assets	44,970	42,995
Forward secured order book	822,739	608,978

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 focused skills from across our business in integrated teams to deliver complex projects in a range of market sectors including commercial, industrial and distribution, education, rail, aviation, environmental, energy and other infrastructure.

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 number of major depot projects have been on the ground in 2013 and we delivered into service the Reading Train Care depot to Network Rail in the first half of the year.

We have been working on a significant contract with Siemens to build two new train maintenance depots, as part of the Thameslink Rolling Stock Project. VolkerFitzpatrick is designing, constructing and commissioning the two depots over the next three years at Hornsey in north London and Three Bridges near Crawley in West Sussex. The depots are being built simultaneously by two in-house specialist project teams. The Three Bridges depot, which is split into east and west-side facilities either side of the London to Brighton mainline, is due for completion in 2015.

The Hornsey depot, which is expected to be completed in 2016, is being constructed within a live operational rail environment adjacent to the East Coast mainline and the existing Hornsey depot.

The Ilford Yard Stabling Project for Crossrail started in 2013. This project covers the provision of additional stabling facilities at Ilford Depot which is located adjacent to the Great Eastern Main Line between Ilford and Seven Kings. As well as the provision of additional stabling facilities, VolkerFitzpatrick will be making changes to a number of existing buildings at the Ilford Yard site to ensure that Crossrail can build ten new sidings to house trains overnight and construct a new building for those who will be employed on site for Crossrail. The scope of work for VolkerFitzpatrick will also include the design, enabling works, construction, installation, testing and commissioning of the new sidings, accommodation building and major modification of other existing depot facilities and is expected to be completed by summer 2016.

In addition we have continued work on three rail depots for Hitachi's new Super Express Trains on the Intercity Express Programme. The projects comprise the redevelopment of an existing depot facility in West London, and the construction of two entirely new depots in Bristol and Swansea. All the projects include the design, construction, commissioning, testing and training required to bring the depots into operation.

Rail Infrastructure

VolkerFitzpatrick has been working in partnership with the Network Rail Investment Programme Team and sister companies VolkerRail and VolkerLaser to provide integrated solutions for Network Rail through the Multi Asset Framework in the South East as part of the Control Period 4 (CP4) programme.

VolkerFitzpatrick was awarded the Project of the Year Award at the 2013 National Rail Awards for work completed on the Balham Blockade Project, which was part of the Package 3 works for Network Rail. This complex project, which was carried out within a ten day blockade during the Christmas period in 2012, saw 650 operatives and staff on site every 24hrs. It was the first blockade of its kind in 20 years and involved 100,000 man hours and significant liaison with other contractors, the train operator, the local council and local residents, as well as with client Network Rail.

2013 also saw significant work on the high profile Gatwick Station redevelopment project including building an additional platform and work on the concourse, as well as new signalling. Over the Christmas 2013 period, platform realignments and a footbridge installation under not only rail possession, but also air possession constraints took place.

Our other key work over the 2013 Christmas period was a 5 day blockade on the Lea Valley Viaduct. The scope of works over the blockade included the removal of the existing rail infrastructure including 150m of rail, sleepers, way beams and the removal of 450 tons of ballast from 5 bridge decks. The demolition comprised of 6 steel bridge decks and steel handrails using a 90 tonne telescope crawler crane. New infrastructure was then installed.

The site was hampered logistically by only having access to the structure from the north side so had to be meticulously planned.

Aviation

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

Utilising our own batching plants and pavers to lay Pavement Quality Concrete we work within tight time frames minimising lead times to reduce the impact of our works on customers and end users. 2013 saw the delivery of a diverse range of projects under our minor and major frameworks at Gatwick Airport. Projects included runway rehabilitation works, flood alleviation, foul main augmentation through to the provision of new security gate facilities. We were the winner of Gatwick Airport's 'Supplier in Partnership' award in 2013.

In the defence sector, our paving team continued to excel, on the United States Air Force term maintenance. Works included capital construction works to the airfield, roads and infrastructure as well as infrastructure maintenance at RAF Lakenheath, Mildenhall, Croughton, Fairford, Molesworth, Menwith Hill and Alconbury.

Roads and Highways

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

VolkerFitzpatrick, in joint venture, successfully realigned a section of dual carriageway along the A45 as part of the A45 Corridor Improvements Scheme in 2013, for joint Clients Birmingham City Council and Birmingham Airport Limited. The joint venture called VFC began construction of the new 2km horse shoe shape 'loop' road in August 2012. This was a huge challenge as the A45 is a major arterial road and any closures would have affected the West Midlands. The diversion was further complicated due to electrical, water, gas and telecoms lines running along the route, which had to be relocated following new ducting and cables being laid.

The same joint venture has also carried out work on the M275 Tipner Interchange for Portsmouth City Council. The Tipner Scheme provides a motorway junction, bus lane which will enable a mixed use development to be built in Portsmouth and delivers improved public transport links into the city centre. The scheme includes an upgraded motorway junction to provide direct access to the development site, a bus lane from the interchange towards the city centre together with bus priority across the roundabout where it ends, along with retaining walls, foundations, variable message signs, communications, earthworks, drainage and gantries. A new park and ride facility is now under construction at the same location.

Bridges and Structures

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

In 2013 we delivered a challenging bridge and associated civils project as part of a wider programme of works at the London Gateway Port. We were appointed to design and build two sections of carriageway and a bridge structure over the new rail head. The road infrastructure consists of a dual carriageway stretching towards the new logistics park and a single lane carriageway linked together by a new roundabout providing access over the bridge into the port terminal. The 60m long two span bridge was designed, built and opened in 24 weeks.

Regeneration and Environmental

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

We have had a number of successes in waste and renewable energy projects in 2013. We have successfully delivered the on-shore wind farm at Bradwell, where we installed ten 2MW wind turbines. We have been awarded the civil engineering and building works contract on the Milton Keynes Residual Waste Treatment Facility for AmeyCespa. The facility will bring together three different state-of-the-art technologies to make the most of waste from households and businesses across the borough, which has not been reused, recycled or composted, rather than continuing to send it to landfill. Work will commence on site in 2014 and design is well advanced.

Whilst such schemes are proving slow to come to fruition, we are involved in a number of opportunities.

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. In 2013 we completed 17-23 Bentinck Street in London W1 for Howard de Walden Estates. The Bentinck Street project involved the design and build of 35,000ft² 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 Building Research Establishment Environmental Assessment Methodology (BREEAM) rating on the building is 'Excellent'. Howard de Walden has now awarded VolkerFitzpatrick two further building projects, both of which will be on site in 2014.

In 2013, we also completed a new build commercial office in Staines comprising 6,200m² of category A office space with basement car park and external works. The building is rated as BREEAM Excellent.

Industrial & Distribution

Our building division has been a market leading contractor in this sector for over 20 years. This last year saw the upturn in the sector and we continued our close relationships with the UK's top industrial and distribution developers including the award of a £50m project for ProLogis in Daventry.

This project, which started in 2013 and will continue into 2014, is a civil engineering and building contract utilising our combined resources for the construction of a 999,201 ft² distribution unit including all external works and an intermodal rail facility

We also completed an industrial building complex for Dubai Ports World at the London Gateway Port. This was for the design and build of a maintenance workshop and welfare building with extensive, heavy duty external pavement works. The maintenance areas service the port's 11m high shuttle carriers and welfare facilities provide changing rooms, dining and gymnasiums for 600 port workers. The turn-key fit out included installation of two 39m span, 10 tonne overhead gantry cranes, vehicle lifts and exhaust extract systems.

Higher Education

This continues to be an active market and we have been principally working 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 have completed two iconic buildings in 2013 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 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 unique collaboration between two distinct universities – UEL and Birkbeck University. This state of the art, five storey campus provides 8,600m² of flexible teaching and performance space as well as academic and administrative offices around a large light filled atrium.

We were awarded a Certificate of Excellence by the Concrete Society for the quality of fair faced concrete at the University Square project.

Special Projects

Our Special Projects team is part of our Building division providing construction services for projects of up to £3m. The increase in demand for smaller projects has seen many of our established clients asking us to cater for smaller value contracts, these include Royal Mail, Veolia Environmental Services and the London Borough of Hillingdon. Newer clients include the Rugby Football Union and brewer, Shepherd Neame.

At the Royal Mail Centre in Nottingham we undertook the refurbishment and remodelling of an existing live mail centre. This included refurbishment of existing offices, 1500m² facility extension and the removal of and 80x10m masonry partition wall, all delivered in an extremely challenging live environment.

Health, Safety & Quality

Providing safe sites for our employees, supply chain and members of the public is our highest priority. We have been running an innovative holistic behavioural change programme, Incident & Injury Free (IIF), for some time, with an average of 1,650 personnel (both our employees and members of our supply chain) receiving briefings every quarter. This, and our focus on near miss and hazard reporting, has helped raise our standards such that we now have an industry leading Accident Frequency Rate.

We have a quality-led approach to all that we do, and ultimately this is only enabled by the passion, hard work and integrity that our employees show every day. We continued our quality behavioural change programme, Experience Excellence throughout 2013, focused on a "get it right first time" culture that involved all our employees. We concentrate on challenging ourselves and our teams, communicating effectively, being cost aware, ensuring the certainty of our programmes and minimising rework. Our ongoing commitment to this programme aims to ensure that quality is embedded in our way of working for the long term.

We are proud to have been Investors in People accredited since 2000, and continue to develop our employees through a number of means including apprenticeships, graduate trainee schemes, leadership development programmes as well as a wide variety of technical and business skills training, coaching and mentoring

We are always delighted when our project teams and business is recognised by our industry, and in 2013 we received a number of awards and commendations including

- Institute of Civil Engineers (ICE) South East England Engineering Excellence Award for Innovation (Winner)
- ICE South East England Engineering Excellence Award for Structures (Highly Commended)
- Chartered Institution of Highways & Transportation (CIHT) Health & Safety at Work Award for our IIF programme (Commendation)
- CIHT Major Project Award (Commendation)
- Considerate Constructors National Award (3 Bronze Awards)
- National Rail Awards Project of the Year
- Concrete Society Awards Certificate of Excellence in Education Building
- Institution of Occupational Safety and Health Rail Industry Award for Fatigue Management
- Gatwick Airport Supplier Award for Supplier Working in Partnership
- Network Rail Western & Wales Platinum Badger Health & Safety Award

VolkerHighways

London Highways Alliance Contract (LoHAC)

During 2013, VolkerHighways mobilised the Central London Highways Alliance Contract in a joint venture known as CVU. Working in partnership with Transport for London, London Boroughs and our supply chain partners, CVU is making significant improvements to the lives and safety of the residents, businesses and visitors to central London.

As part of the mobilisation, the successful transfer of 160 employees from the previous contractor took place.

The framework will cover road, lighting and structural maintenance and the design and construction of new schemes. As an example, at Bank junction in the heart of the City of London, CVU has completed infrastructure improvements whilst keeping 25,000 pedestrians a day moving, as well as the transport links including the underground.

Brent Civic Centre

VolkerHighways completed the external works for the new Brent Civic Centre in 2013, the Company was the principal contractor for all hard and soft landscaping surrounding the building, including involvement in the installation of an integrated recycling system.

The contract consisted of the construction of a king post retaining wall surrounding the entire centre, internal and external roads, paving, new carriageway, fencing and street lighting.

St James Gateway

VolkerHighways completed the hard and soft landscaping of the prestigious development of St James Gateway in central London. The contract which consisted of the installation of yorkstone footways and granite set carriageways was part of a wider scheme to regenerate the area. In order to preserve some of the historic features of the area, we undertook delicate restoration and reinstallation of 130 year old listed gas lamps, ensuring the works remained sensitive to the location which is a conservation area.

Sandleford Link, Newbury

Working together with West Berkshire Council and specialist street light supply chain partners, VolkerHighways installed light emitting diode (LED) street lights throughout the county. The work carried out along the A339 Sandleford Link in Newbury is just one of a number of schemes that has benefited from the use of LED technology. The new LED luminaries benefit from requiring considerably less maintenance than traditional street lights and are installed on a "fit and forget" basis.

The A339 scheme was broken into 3 phases, starting in 2012 and finishing towards the end of 2013. The work involved replacing the existing high pressure sodium luminaries with new LED units. By using LED as a point-for-point replacement, the scheme generated a saving of 20% in energy usage.

Quality management system

Our quality management system is accredited to ISO 9001 2008. This accreditation provides a platform that ensures our overall quality objectives, and that employees, contractors and suppliers know their roles and responsibilities in helping us achieve high levels of quality.

Our Strategic Management and Recording Tool, is the result of three years of investment and development, working collaboratively with clients to develop a bespoke works order system that meets the specific needs of our clients and our business.

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

Awards and Commendations

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

Medway Council and VolkerHighways were recognised with a gold award at the Green Apple Awards for their outstanding community work for the Walking Bus Stop Scheme. The scheme is run by Medway Council, and sponsored and maintained by VolkerHighways. The 'walking bus' routes provide a fun, safe and health way for children to get to and from school.

At the National Transport Awards, Haringey Council and VolkerHighways were highly commended in the category of Excellence in Walking & Public Realm. The Council and VolkerHighways have been working in partnership on an innovative project called 'DIY Streets'. The initiative which was delivered by VolkerHighways aims to reduce traffic speeds and incidents, improve the local environment for pedestrians and cyclists, reduce crime levels and promote sustainable methods of transport.

VolkerHighways won a Gold Award from the Royal Society for the Prevention of Accidents (RoSPA) for its approach to occupational health and safety. The award was given in recognition of our progressive approach to health and safety, reflected in our reduced accident statistics and improved safety performance.

We also received a Silver Considerate Constructors Scheme Award in the year for the London Borough of Hackney Term Maintenance Contract for 'performance beyond compliance'. We were commended for our numerous initiatives including the trialling of tactile traffic barriers to assist visually impaired pedestrians and reducing carbon emissions by integrating the use of bicycles instead of cars for supervisors travelling between sites in Hackney. The team is also working in conjunction with the Metropolitan Police as part of its 'Protect our People' and 'Exchanging Places' safety campaigns.

Forward order book

At 31 December 2013 the Group's secured order book stood at £823 million, a 35% rise from the end of 2012 when it stood at £609 million

Major contributors to this were the signing of a significant contract with Siemens to build two new train maintenance depots, as part of the Thameslink Rolling Stock Projects, the award of the Ilford Yard Stabling Project by Crossrail (both detailed above), and the award of a multi-modal distribution centre project by ProLogis

In addition, VolkerFitzpatrick were named as one of the preferred contractors for building and civil engineering work in Network Rail's Control Period Five (CP5), which runs from 2014 to 2019. The framework agreement, which will start on 1st April 2014, is for the Anglia route, the largest of the geographic areas in the South East. The work will involve delivering longer platforms for longer trains on key commuter routes, station enhancements, new footbridges to improve accessibility and upgrades to bridges, embankments and tunnels to increase the resilience of the infrastructure in some of the most intensely-used parts of Britain's rail network

Internal Group Restructuring

On 31 December 2013, VolkerFitzpatrick Limited sold the property, plant and equipment and intangible assets that were used in providing shared services to the VolkerWessels UK Group to VolkerServices Limited

The impact of this transaction is shown in note 4

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

Supply chain management

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

The VolkerWessels UK Group is a signatory to the Prompt Payment Code sponsored by the Department for Business, Innovation & Skills. As a signatory we undertake to

- Pay suppliers on time
 - Within the terms agreed at the outset of the contract
 - Without attempting to change payment terms retrospectively
 - Without changing practice on length of payment for smaller companies on unreasonable grounds
- Give clear guidance to suppliers
 - Providing suppliers with clear and easily accessible guidance on payment procedures
 - Ensuring there is a system for dealing with complaints and disputes which is communicated to suppliers
 - Advising them promptly if there is any reason why an invoice will not be paid to the agreed terms
- Encourage good practice
 - By requesting that lead suppliers encourage adoption of the code throughout their own supply chains

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

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.

By order of the Board



RA Offord
Director

7 March 2014

VolkerFitzpatrick Limited
Company registered number 02387700

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

The Directors present their Directors' Report and financial statements for the year ended 31 December 2013

Results and dividends

The profit for the financial year after taxation was £4,905,000 (2012 £8,404,000) No interim dividend was paid in 2013 (2012 £3,100,000) A final dividend of £3,000,000 was approved and paid before the balance sheet date (2012 £1,000,000)

Directors

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

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

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

Political and charitable contributions

The company made charitable donations of £7,264 in 2013 (2012 £6,364) Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2012 £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

VolkerFitzpatrick Limited
Directors' Report
for the year ended 31 December 2013

By order of the Board



RA Offord

Director

7 March 2014

VolkerFitzpatrick Limited

Company registered number 02387700

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerFitzpatrick Limited

**Statement of Directors' Responsibilities in Respect of the Strategic Report,
Directors' Report and the Financial Statements
Year ended 31 December 2013**

The Directors are responsible for preparing the Strategic Report, 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 2013

We have audited the financial statements of VolkerFitzpatrick Limited for the year ended 31 December 2013 set out on pages 16 to 58. 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 14, 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 2013 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

7 MARCH 2014

VolkerFitzpatrick Limited
Consolidated Income Statement
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 Restated £000
Revenue	3	460,256	466,784
Cost of sales		<u>(432,331)</u>	<u>(435,416)</u>
Gross profit		27,925	31,368
Administrative expenses		(23,757)	(25,708)
Other operating income/(expense)	4	<u>2,089</u>	<u>(4)</u>
Operating profit	5	6,257	5,656
Financial income	8	168	106
Financial expenses	9	<u>(254)</u>	<u>(248)</u>
Profit before tax		6,171	5,514
Taxation	10	<u>(1,266)</u>	<u>2,890</u>
Profit for the year		<u>4,905</u>	<u>8,404</u>
Profit attributable to equity holders of the parent company		<u>4,905</u>	<u>8,404</u>

All results derive from continuing operations

The profit for the Parent Company for the year was £7,361,000 (2012 £7,312,000)

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

VolkerFitzpatrick Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Profit for the year		4,905	8,404
Other comprehensive income			
Actuarial gains / (losses) on defined benefit pension plans	<i>19</i>	91	239
Tax recognised on actuarial gains / (losses)		(21)	(55)
Other comprehensive expense for the year, net of income tax		70	184
Total comprehensive income for the year		4,975	8,588
Profit attributable to equity holders of the parent company		4,975	8,588

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

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
at 31 December 2013

	<i>Note</i>	2013	2012
		£000	£000
Non current assets			
Property, plant and equipment	11	924	8,428
Intangible assets	12	2,011	3,923
Trade and other receivables	16	5,407	2,310
Deferred tax assets	14	254	610
Employee benefits	19	3,155	2,685
		<u>11,751</u>	<u>17,956</u>
Current assets			
Inventories	15	104	-
Trade and other receivables	16	126,422	104,397
Cash and cash equivalents	17	32,914	27,580
		<u>159,440</u>	<u>131,977</u>
Total assets		<u>171,191</u>	<u>149,933</u>
Equity attributable to equity holders of the parent			
Share capital	20	6,000	6,000
Retained earnings		38,970	36,995
Total equity		<u>44,970</u>	<u>42,995</u>
Non current liabilities			
Deferred tax liabilities	14	630	618
		<u>630</u>	<u>618</u>
Current liabilities			
Trade and other payables	18	125,010	103,840
Tax payable		581	2,480
		<u>125,591</u>	<u>106,320</u>
Total liabilities		<u>126,221</u>	<u>106,938</u>
Total equity and liabilities		<u>171,191</u>	<u>149,933</u>

These financial statements were approved by the Board of Directors on 7 March 2014
and were signed on its behalf by


RA Offord
Director

Company registered number 02387700

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

VolkerFitzpatrick Limited
Company Statement of Financial Position
at 31 December 2013

	Note	2013 £000	2012 £000
Non current assets			
Property, plant and equipment	11	-	7,693
Intangible assets	12	-	1,667
Investments	13	7,178	7,178
Trade and other receivables	16	4,919	2,304
Deferred tax assets	14	55	330
Employee benefits	19	2,399	2,035
		14,551	21,207
Current assets			
Trade and other receivables	16	109,211	84,963
Cash and cash equivalents	17	25,178	20,544
		134,389	105,507
Total assets		148,940	126,714
Equity attributable to equity holders of the company			
Share capital	20	6,000	6,000
Retained earnings		34,562	30,144
Total equity		40,562	36,144
Non current liabilities			
Deferred tax liabilities	14	480	468
		480	468
Current liabilities			
Trade and other payables	18	107,375	88,930
Tax payable		523	1,172
		107,898	90,102
Total liabilities		108,378	90,570
Total equity and liabilities		148,940	126,714

These financial statements were approved by the Board of Directors on 7 March 2014 and were signed on its behalf by


RA Offord
 Director

Company registered number 02387700

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

VolkerFitzpatrick Limited
Consolidated Statement of Changes in Equity
at 31 December 2013

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2012	6,000	32,507	38,507
Comprehensive income			
Profit for year	-	8,404	8,404
Other comprehensive income			
Actuarial losses 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
Balance at 1 January 2013	6,000	36,995	42,995
Comprehensive income			
Profit for year	-	4,905	4,905
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	70	70
Transactions with owners			
Dividends relating to 2013	-	(3,000)	(3,000)
Balance at 31 December 2013	6,000	38,970	44,970

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

VolkerFitzpatrick Limited
Company Statement of Changes in Equity
at 31 December 2013

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2012	6,000	26,738	32,738
Comprehensive income			
Profit for year	-	7,312	7,312
Other comprehensive income			
Actuarial losses 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
Balance at 1 January 2013	6,000	30,144	36,144
Comprehensive income			
Profit for year	-	7,361	7,361
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	57	57
Transactions with owners			
Dividends relating to 2013	-	(3,000)	(3,000)
Balance at 31 December 2013	6,000	34,562	40,562

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

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2013

		2013	2012
	<i>Note</i>	£000	£000
Cash flows from operating activities	23	13,305	11,192
Interest paid		(198)	(248)
Tax (paid) / received		(2,519)	3,617
Net cash from operating activities		10,588	14,561
Cash flows from investing activities			
Proceeds from sale of plant, property and equipment		206	180
Interest received		42	62
Acquisition of plant, property and equipment		(806)	(799)
Acquisition of intangibles		(640)	(1,188)
Net cash from investing activities		(1,198)	(1,745)
Cash flows from financing activities			
(Decrease) in group indebtedness		-	(3,508)
Dividends paid to Company's shareholders		(4,000)	(3,100)
Net cash from financing activities		(4,000)	(6,608)
Net increase/(decrease) in cash and cash equivalents		5,390	6,208
Cash and cash equivalents at 1 January		27,580	21,331
Effect of exchange rate fluctuations on cash held		(56)	41
Cash and cash equivalents at 31 December	17	32,914	27,580

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

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2013

		2013	2012
	<i>Note</i>	£000	£000
Cash flows from operating activities	24	6,573	6,394
Interest paid		(199)	(230)
Tax (paid) / received		(1,202)	2,315
Net cash from operating activities		5,172	8,479
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		192	154
Interest received		8	25
Dividends received		4,000	2,000
Acquisition of property, plant and equipment		(335)	(301)
Transfer of property, plant and equipment from fellow group undertakings		-	(5)
Acquisition of intangibles		(347)	(287)
Net cash from investing activities		3,518	1,586
Cash flows from financing activities			
Dividends paid to Company's shareholders		(4,000)	(3,100)
Net cash from financing activities		(4,000)	(3,100)
Net increase/(decrease) in cash and cash equivalents		4,690	6,965
Cash and cash equivalents at 1 January		20,544	13,538
Effect of exchange rate fluctuations on cash held		(56)	41
Cash and cash equivalents at 31 December	17	25,178	20,544

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

1. General information

The Company is incorporated and domiciled in the UK

2. Accounting policies

2.1 Basis of preparation

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

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Parent 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 Strategic Report on pages 2 to 11. In addition, note 22 to the financial statements includes the Group objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk and liquidity risk.

The Group meets its day-to-day working capital requirements through the group treasury management provided by VolkerWessels UK Limited (see note 22c).

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.

2.5 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. Accounting policies (continued)

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, 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 Group 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.

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

2.12 Inventories

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

2. Accounting policies (continued)

2.13 Impairment excluding inventories, investment properties and deferred tax assets

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

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

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

2. Accounting policies (continued)

2.14 Financial Instruments

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

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

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

2.15 Non-derivative financial instruments

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

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

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

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

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

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

2.16 Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see 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 20 Intra-group financial instruments

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

2. Accounting policies (continued)

2.21 Adopted IFRS not yet applied

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

- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014)
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014). The amendments simplify the transition to these new standards and provide additional relief from disclosures.

2.22 Changes in accounting policies

The following new standards and amendments effective for periods beginning on or after 1 January 2013, have been adopted for both the Group and Company financial statements, as appropriate and unless stated otherwise have not resulted in any material impact on either the Group or Company financial statements.

IAS 19 Employee Benefits – the Group has adopted amendments to IAS 19 Employee Benefits, including consequential amendments to other standards, with a date of initial application of 1 January 2013, and restated the prior year's result accordingly. The Group has changed its accounting policies with respect to the basis for accounting for financing income/expense on the value of the defined benefit pension schemes' assets/liabilities and with respect to the costs of administering the defined benefit pension schemes.

The Group determines financing income/expense for the period by applying the discount rate used for valuing the schemes' liabilities to the value of the net pension asset/liability at the beginning of the year. Previously, the Group calculated financing income by applying the expected return on assets to the value of the schemes' assets at the beginning of the year and financing expense by applying the discount rate to the value of the schemes' liabilities at the beginning of the year (taking into account any changes during the period as a result of contributions and benefit payments). Additionally, where applicable, the expense of administering the pension schemes is now charged separately to operating profit within the income statement. Previously it was accounted for as a reduction in the expected return on schemes' assets.

For the year to 31 December 2013 the above changes have been included, and although this accounting policy is to be applied retrospectively no restatement has been made for 2012. This is because the impact on the Group and Company Profit and Other Comprehensive Income for the period as previously reported is considered to be immaterial.

The only restatement included in 2012 relates to a reclassification in the profit and loss to create a net interest on the net defined benefit liability / (asset). This has had no impact on the profit figure for the year and the balance sheet.

3. Revenue

Revenues are comprised as follows

	2013 £000	2012 £000
Construction contract revenues	390,905	370,095
Service contract revenues	69,351	96,689
Total revenues	<u>460,256</u>	<u>466,784</u>

Substantially all revenue relates to sales made in the United Kingdom

4. Other operating income / (expenses)

	2013 £000	2012 £000
Profit / (loss) on disposal of property, plant and equipment and intangible assets	<u>2,089</u>	<u>(4)</u>

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

5 Operating profit

Operating profit is stated after charging

	2013 £000	2012 £000
<i>Depreciation of plant, property and equipment</i>		
- owned assets	1,339	1,359
Amortisation of intangible assets	503	448
<i>Operating lease charges</i>		
- other	977	1,989
<i>Auditor's remuneration</i>		
- audit of these financial statements	112	112
- audit of financial statements of subsidiaries pursuant to legislation	48	46
- other services	<u>-</u>	<u>1</u>

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

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

	2013 No	2012 No
Management & administrative	324	267
Operational	809	914
	1,133	1,181

The aggregate payroll costs of these persons were as follows

	2013 £000	2012 £000
Wages and salaries	55,987	53,095
Social security costs	6,060	5,727
Contributions to defined contribution plans	3,266	1,871
	65,313	60,693

7. Directors' remuneration

	2013 £000	2012 £000
Directors' emoluments	1,952	1,661
Company contributions to money purchase pension plans	224	231
	2,176	1,892

The emoluments of the highest paid Director were £533,000 (2012 £557,000) and company pension contributions of £50,000 (2012 £68,000) were made to a money purchase scheme on his behalf

Retirement benefits are accruing to the following number of directors under

	2013 Number	2012 Number
Money purchase schemes	6	5

8. Financial income

	2013 £000	2012 Restated £000
Interest income on short-term bank deposits	42	62
Net interest on the net defined benefit asset	126	3
Net foreign exchange gain	-	41
Total financial income	168	106

9 Financial expenses

	2013 £000	2012 Restated £000
Interest on borrowings	198	248
Net foreign exchange loss	56	-
Total financial expense	254	248

10. Taxation

a) Analysis of the tax recognised in the income statement

	2013 £000	2012 £000
<i>Current tax expense / (income)</i>		
UK corporation tax		
Current year	913	1,216
Adjustments for prior years	(217)	(3,964)
Foreign tax		
Adjustments for prior years	223	25
Current tax expense / (income)	919	(2,723)
<i>Deferred tax expense/(income) (see note 14)</i>		
Origination and reversal of temporary differences	424	225
Change in tax rate	(49)	(13)
Adjustments for prior years	(28)	(379)
Deferred tax expense / (income)	347	(167)
Total tax expense / (income)	1,266	(2,890)

10. Taxation(continued)

b) Reconciliation of effective tax rate

	2013 £000	2012 £000
Profit for the year	4,905	8,404
Total tax income/(expense)	1,266	(2,890)
Profit excluding taxation	6,171	5,514
Tax using the UK corporation tax rate of 23 25% (2012 24 5%)	1,435	1,351
<i>Effects of</i>		
Non deductible expenses	79	89
Effect of research and development tax concession	(72)	(270)
Other	(105)	297
Effect of change in tax rate	(49)	(13)
Adjustments for prior years	(22)	(4,344)
Total tax expense / (income)	1,266	(2,890)

c) Tax recognised directly in equity

	2013 £000	2012 £000
Deferred tax recognised directly in equity	21	55

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

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

11. Property, plant and equipment

Group	Land and buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
<i>Cost</i>				
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
At 1 January 2013	7,047	8,778	1,251	17,076
Additions	343	284	179	806
Sale to group undertaking	(7,047)	(6,736)	(1,221)	(15,004)
Disposals	-	(1,076)	-	(1,076)
At 31 December 2013	343	1,250	209	1,802
<i>Depreciation and impairment</i>				
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
At 1 January 2013	1,334	6,482	832	8,648
Charge for the year	299	842	198	1,339
Sale to group undertaking	(1,601)	(5,641)	(985)	(8,227)
Disposals	-	(882)	-	(882)
At 31 December 2013	32	801	45	878
<i>Net book value</i>				
At 31 December 2013	311	449	164	924
At 31 December 2012	5,713	2,296	419	8,428
At 1 January 2012	5,980	2,944	248	9,172

11. Plant, property and equipment (continued)

Company	Land and buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
<i>Cost</i>				
At 1 January 2012	7,047	8,550	869	16,466
Additions	-	37	264	301
Sale from fellow group undertaking	-	16	-	16
Disposals	-	(1,229)	-	(1,229)
At 31 December 2012	7,047	7,374	1,133	15,554
At 1 January 2013	7,047	7,374	1,133	15,554
Additions	-	249	86	335
Sale to fellow group undertaking	(7,047)	(6,737)	(1,219)	(15,003)
Disposals	-	(886)	-	(886)
At 31 December 2013	-	-	-	-
<i>Depreciation and impairment</i>				
At 1 January 2012	1,067	6,051	634	7,752
Charge for the year	267	732	179	1,178
Sale from fellow group undertaking	-	11	-	11
Disposals	-	(1,080)	-	(1,080)
At 31 December 2012	1,334	5,714	813	7,861
At 1 January 2013	1,334	5,714	813	7,861
Charge for the year	267	619	171	1,057
Sale to fellow group undertaking	(1,601)	(5,642)	(984)	(8,227)
Disposals	-	(691)	-	(691)
At 31 December 2013	-	-	-	-
<i>Net book value</i>				
At 31 December 2013	-	-	-	-
At 31 December 2012	5,713	1,660	320	7,693
At 1 January 2012	5,980	2,499	235	8,714

12. Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
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
Balance at 1 January 2013	403	4,777	5,180
Additions	-	640	640
Sale to group undertaking	-	(3,778)	(3,778)
Balance at 31 December 2013	403	1,639	2,042
Amortisation and impairment			
Balance at 1 January 2012	-	809	809
Amortisation for the year	-	448	448
Balance at 31 December 2012	-	1,257	1,257
Balance at 1 January 2013	-	1,257	1,257
Amortisation for the year	-	503	503
Sale to group undertaking	-	(1,729)	(1,729)
Balance at 31 December 2013	-	31	31
Net book value			
At 31 December 2013	403	1,608	2,011
At 31 December 2012	403	3,520	3,923
At 1 January 2012	403	2,780	3,183

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 2013 and 2012 is shown below

	2013 £000	2012 £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

	2013	2012
Period on which management approved forecasts are based	5 years	5 years
Growth rate applied beyond approved forecast period	2%	5%
Discount rate	9%	8%

Company	Software
	£000
Cost	
Balance at 1 January 2012	2,637
Additions	287
Balance at 31 December 2012	2,924
Balance at 1 January 2013	2,924
Additions	347
Sale to group undertaking	(3,271)
Balance at 31 December 2013	-
Amortisation and impairment	
Balance at 1 January 2012	809
Amortisation for the year	448
Balance at 31 December 2012	1,257
Balance at 1 January 2013	1,257
Amortisation for the year	471
Sale to group undertaking	(1,728)
Balance at 31 December 2013	-
Net book value	
At 31 December 2013	-
At 31 December 2012	1,667
At 1 January 2012	1,828

13. Investments

Company	Shares in group undertakings £000
Cost	
At 1 January 2012 and 31 December 2012	7,178
At 1 January 2013 and 31 December 2013	<u>7,178</u>

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

Subsidiary undertakings	Principle activities	Class of shares held	Ownership %	
			2013	2012
VolkerHighways Limited*	Maintenance	Ordinary	100%	100%
VolkerHighways Mews Limited*	Non-trading	Ordinary	100%	100%
* directly held by the Company				

Jointly controlled operations	Principle activities	JCO partner	Address	Company Share %	
				2013	2012
<i>Group & Company</i>					
Fitzpatrick Lafarge	Construction	Lafarge Aggregates Limited	1 & 2	70%	70%
Fitzpatrick Hochtief	Construction	Hochtief (UK) Construction Limited	1 & 3	50%	50%
VFC	Construction	Colas Limited	1 & 4	50%	50%
<i>Group Only</i>					
CVU	Highways Maintenance	Colas Limited and URS Infrastructure & Environment UK Limited	1, 4 & 5	40%	-
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	5	Scott House Alencon Link Basingstoke Hampshire RH10 0NS		

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

14. Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

Group	Assets		Liabilities	
	2013	2012	2013	2012
	£000	£000	£000	£000
Property, plant and equipment	199	531	-	-
Employee benefits	-	-	(630)	(618)
Provisions	55	79	-	-
Tax assets/(liabilities)	254	610	(630)	(618)

Company	Assets		Liabilities	
	2013	2012	2013	2012
	£000	£000	£000	£000
Property, plant and equipment	-	251	-	-
Employee benefits	-	-	(480)	(468)
Provisions	55	79	-	-
Tax assets/(liabilities)	55	330	(480)	(468)

b) Movement in deferred tax in the year

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

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

14. Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior year

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

15. Inventories

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Raw materials and consumables	104	-	-	-

Raw materials and consumables recognised as cost of sales in the year amounted to £41,425,000 (2012 £52,558,000)

16. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade receivables	24,929	16,008	19,330	11,800
Construction contract debtors	82,250	81,716	72,300	69,247
Amounts owed by group undertakings	19,766	6,252	19,514	3,534
Prepayments	4,884	2,731	2,986	2,686
	131,829	106,707	114,130	87,267
Current	126,422	104,397	109,211	84,963
Non current	5,407	2,310	4,919	2,304
	131,829	106,707	114,130	87,267

Included within construction contract debtors is £4,356,000 (2012 £2,310,000) for the Group and £4,351,000 (2012 £2,304,000) for the Company expected to be recovered in over 12 months

Included within prepayments is £1,051,000 (2012 £nil) for the Group and £568,000 (2012 £nil) for the Company for pre-contract costs, which will be amortised, over the term of the contracts, up to March 2019

At 31 December 2013, aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £2 0 billion (2012 £2 0 billion) for the Group and £1 4 billion (2012 £1 5 billion) for the Company

At 31 December 2013, construction contract debtors include retentions of £15,057,000 (2012 £17,334,000) relating to construction contracts in progress

17. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Cash and cash equivalents	32,914	27,580	25,178	20,544

18. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade payables	89,484	82,297	75,610	71,052
Amounts owed to group undertakings	2,607	2,856	2,987	3,035
Amounts due to customers for contract work	22,476	8,564	18,723	5,772
Non trade payables and accrued expenses	10,443	10,123	10,055	9,071
	125,010	103,840	107,375	88,930
Current	125,010	103,840	107,375	88,930
Non current	-	-	-	-
	125,010	103,840	107,375	88,930

Included within trade payables is £nil (2012 £nil) for the Group and Company expected to be settled in over 12 months

19 Employee benefits

a) Defined benefit plans

The Group operates three defined benefit pension plans

- (a) Fitzpatrick Pension Scheme
- (b) Fitzpatrick Greenwich Pension Scheme
- (c) Gabriel Contractors Limited Defined Benefit Scheme

a) *Fitzpatrick Pension Scheme*

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

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

b) *Fitzpatrick Greenwich Pension Scheme*

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

19. Employee benefits (continued)

c) *Gabriel Contractors Limited Defined Benefit Scheme*

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

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

Risks

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

- **Asset volatility** the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests significantly in equities. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- **Changes in bond yields** a decrease in corporate bond yields would increase the Scheme's defined benefit obligation, however this would be partially offset by an increase in the value of the Scheme's bond holdings.
- **Inflation risk** a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Scheme's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit. However the caps in place limit the potential impact of high inflation.
- **Life expectancy** if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

Group

	2013 £000	2012 £000
Defined benefit assets	11,303	11,231
Defined benefit liability	(8,148)	(8,546)
Net asset for defined benefit obligations	3,155	2,685
Total employee benefits	3,155	2,685

19. Employee benefits (continued)

Movement in net defined benefit asset

Group

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2013	2012	2013	2012	2013	2012
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(8,546)	(9,131)	11,231	10,929	2,685	1,798
Included in profit or loss						
Interest (cost)/income	(363)	(420)	489	423	126	3
Included in OCI	(8,909)	(9,551)	11,720	11,352	2,811	1,801
Remeasurements (loss)/gain						
Actuarial (loss)/gain arising from						
- Changes in demographic assumptions	39	2	-	-	39	2
- Changes in financial assumptions	6	(699)	-	-	6	(699)
- Experience adjustment	(252)	536	-	-	(252)	536
Return on plan assets excluding interest income	-	-	298	400	298	400
	(207)	(161)	298	400	91	239
Other						
Contributions paid by the employer			253	645	253	645
Benefits paid	968	1,166	(968)	(1,166)	-	-
Balance at 31 December	(8,148)	(8,546)	11,303	11,231	3,155	2,685

Plan assets

Group	2013	2012
	£ 000	£000
Cash and cash equivalents	646	423
Equities	4,797	4,320
Government bonds	4,455	4,796
Government gilts	1,405	1,604
Other	-	88
Total	11,303	11,231

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

19. Employee benefits (continued)

Actuarial assumptions

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

Group	2013 %	2012 %
Discount rate	4.5	4.5
RPI inflation	3.3	3.1
RPI inflation linked increases in deferment	3.3	3.1
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.2	3.0
CPI inflation	2.3	2.5
CPI inflation linked increases in deferment	2.3	2.5
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.2	3.2

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

Group	Male Years	Female Years
Current pensioner aged 65	20.7	23.0
Future retiree upon reaching 65 in 20 years	22.1	24.5

Sensitivity analysis

Group

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

	Change in assumption	2013 +0.5% £000	2013 -0.5% £000	2012 +0.5% £000	2012 -0.5% £000
Discount Rate	+/- 0.5%	(680)	774	(717)	802
Inflation (RPI)	+/- 0.5%	275	(249)	273	(285)

In valuing the liabilities of the pension fund at £8,148,000, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2013 would have increased by £190,000 before deferred tax.

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

19. Employee benefits (continued)

Company

	2013	2012
	£000	£000
Defined benefit assets	7,887	7,842
Defined benefit liability	(5,488)	(5,807)
Net asset for defined benefit obligations	2,399	2,035
Total employee benefits	2,399	2,035

Movement in net defined benefit asset

Company

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2013	2012	2013	2012	2013	2012
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(5,807)	(6,621)	7,842	7,879	2,035	1,258
Included in profit or loss						
Interest (cost)/income	(243)	(299)	339	318	96	19
	(6,050)	(6,920)	8,181	8,197	2,131	1,277
Included in OCI						
Remeasurements (loss)/gain						
Actuarial (loss)/gain arising from						
- Changes in demographic assumptions	20	2	-	-	20	2
- Changes in financial assumptions	(14)	(479)	-	-	(14)	(479)
- Experience adjustment	(252)	497	-	-	(252)	497
Return on plan assets excluding interest income	-	-	321	232	321	232
	(246)	20	321	232	75	252
Other						
Contributions paid by the employer			193	506	193	506
Benefits paid	808	1,093	(808)	(1,093)	-	-
Balance at 31 December	(5,488)	(5,807)	7,887	7,842	2,399	2,035

19 Employee benefits (continued)

Plan assets

Company	2013 £000	2012 £000
Cash and cash equivalents	631	413
Equities	3,765	3,447
Government bonds	2,868	3,126
Government gilts	623	768
Other	-	88
Total	7,887	7,842

Actuarial assumptions

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

Company	2013 %	2012 %
Discount rate	4.5	4.5
RPI inflation	3.3	3.1
RPI inflation linked increases in deferment	3.3	3.1
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.2	3.0
CPI inflation	2.3	2.5
CPI inflation linked increases in deferment	2.3	2.5

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

Company	Male Years	Female Years
Current pensioner aged 65	20.7	23.0
Future retiree upon reaching 65 in 20 years	22.1	24.5

Sensitivity analysis

Company

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

	Change in assumption	2013 +0.5% £000	2013 -0.5% £000	2012 +0.5% £000	2012 -0.5% £000
Discount Rate	+/- 0.5%	(494)	561	(523)	593
Inflation (RPI)	+/- 0.5%	196	(196)	203	(203)

19. Employee benefits (continued)

In valuing the liabilities of the pension fund at £5,488,000, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2013 would have increased by £110,000 before deferred tax.

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

Funding

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

For the Gabriel scheme, the last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 1 October 2011. This valuation revealed a funding shortfall of £348,000. In order to pay off the deficit in the Scheme, the Group has agreed to pay annual contributions of £60,000 pa from 1 January 2013 to 31 December 2019. The Group expects to pay £60,000 to the Scheme during the accounting year beginning 1 January 2014.

For the Greenwich scheme, the last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 1 April 2012. This valuation revealed a funding shortfall of £163,000. In order to pay off the deficit in the Scheme, the Company has agreed to pay annual contributions of £30,000 pa from 1 July 2013 to 30 September 2016. The Company expects to pay £30,000 to the Scheme during the accounting year beginning 1 January 2014.

For the Fitzpatrick scheme, the last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 1 April 2011. This valuation revealed a funding surplus of £0.2 million. Following the valuation, the Company agreed to pay annual contributions of £144,000 pa for 2 years and 8 months from 1 November 2012. The Company expects to pay £144,000 to the Scheme during the accounting year beginning 1 January 2014.

b) Defined contribution plans

The Group also operates a number of defined contribution plans. The total expense for the Group was £3,266,000 (2012: £1,871,000) and creditor outstanding relating to these plans was £438,000 (2012: £517,000).

The outstanding pension creditor for the company was £277,000 (2012: £356,000).

20. Share capital

Allotted, called up and fully paid	Number of shares	Ordinary shares £000
At 31 December 2012 and 31 December 2013	6,000,000	6,000

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

21. Dividends

No interim dividend was paid during the year (2012 £4,100,000) A final dividend of £3,000,000 was paid in 2013 (2012 £nil)

22. Financial instruments

a) Fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest bearing loans and borrowings

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

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

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

Group	2013 £000	2012 £000
Trade and other receivables (see note 16)	131,829	106,707
Cash and cash equivalents (see note 17)	32,914	27,580
Total financial assets	164,743	134,287
Trade and other payables (see note 18)	125,010	103,840
Total financial liabilities	125,010	103,840
Total financial instruments	39,733	30,447

22. Financial instruments (continued)

Company	2013 £000	2012 £000
Trade and other receivables (see note 16)	114,130	87,267
Cash and cash equivalents (see note 17)	25,178	20,544
Total financial assets	139,308	107,811
Trade and other payables (see note 18)	107,375	88,930
Total financial liabilities	107,375	88,930
Total financial instruments	31,933	18,881

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.

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 £131,829,000 at 31 December 2013 (2012 £106,707,000) for the Group and £114,130,000 at 31 December 2013 (2012 £87,267,000) 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	
	2013	2012	2013	2012
	£000	£000	£000	£000
Building	2,138	2,037	2,138	2,037
Civil Engineering	22,791	13,971	17,192	9,763
	24,929	16,008	19,330	11,800

22. Financial instruments (continued)

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Public sector customers	5,403	2,605	107	1,938
Private sector customers	19,526	13,403	19,223	9,862
	24,929	16,008	19,330	11,800

Credit quality of financial assets and impairment losses

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

Group	2013		2012	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	20,099	-	11,723	-
Past due (0-30 days)	4,265	-	3,356	-
Past due (31-120 days)	390	-	557	-
More than 120 days	175	-	372	-
	24,929	-	16,008	-

Company	2013		2012	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	15,243	-	9,012	-
Past due (0-30 days)	3,711	-	2,006	-
Past due (31-120 days)	201	-	410	-
More than 120 days	175	-	372	-
	19,330	-	11,800	-

At 31 December 2013 the Group and the Company had no impairment provision (2012 £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

22. Financial instruments (continued)

c) Liquidity risk

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

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.

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
2013				
Trade and other payables	125,010	125,010	125,010	-
Tax payable	581	581	581	-
	125,591	125,591	125,591	-
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	-
Company				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000
2013				
Trade and other payables	107,375	107,375	107,375	-
Tax payable	523	523	523	-
	107,898	107,898	107,898	-
2012				
Trade and other payables	88,930	88,930	88,930	-
Tax payable	1,172	1,172	1,172	-
	90,102	90,102	90,102	-

22. Financial instruments (continued)

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.

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	2013	2012
	£000	£000
<i>Variable rate instruments</i>		
Financial assets	32,914	27,580
 Company	 2013	 2012
	£000	£000
<i>Variable rate instruments</i>		
Financial assets	25,178	20,544

A change of 100 basis points in interest would either increase or decrease equity by £329,000 (2012: £276,000) for the Group and by £252,000 (2012: £205,000) for the Company.

23. Cash flows from operating activities

Group	2013	2012
	£000	Restated £000
Profit for the year	4,905	8,404
<i>Adjustments for</i>		
Depreciation, amortisation and impairment	1,842	1,807
Financial income	(168)	(106)
Financial expense	254	248
(Gain) / loss on sale of PPE	(953)	4
(Gain) / loss on sale of intangibles	(1,136)	-
Payments to defined benefit plans	(253)	(645)
R & D tax credits	(300)	-
Taxation	1,266	(2,890)
	5,457	6,822
Increase in trade and other receivables	(14,341)	(8,629)
Increase in inventories	(104)	-
Increase in trade and other payables	22,293	12,999
	13,305	11,192

Company	2013	2012
	£000	Restated £000
Profit for the year	7,361	7,312
<i>Adjustments for</i>		
Depreciation, amortisation and impairment	1,528	1,626
Financial income	(104)	(69)
Financial expense	254	214
Dividend income	(3,000)	(3,000)
(Gain) / loss on sale of PPE	(938)	(5)
(Gain) / loss on sale of intangibles	(1,136)	-
Payments to defined benefit plans	(193)	(506)
R & D tax credits	(300)	-
Taxation	1,121	(1,967)
	4,593	3,605
Increase in trade and other receivables	(17,466)	(16,466)
Increase/(decrease) in trade and other payables	19,446	19,255
	6,573	6,394

24. Operating lease commitments

Non cancellable operating lease rentals are payable as follows

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
<i>Land and buildings</i>				
Less than one year	697	1,016	351	608
Between one and five years	1,395	1,872	771	1,351
More than five years	223	336	64	245
	2,315	3,224	1,186	2,204

25. Contingencies

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

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

The Company, as a result of a VolkerWessels UK Limited group registration for VAT, is jointly and severally liable for the VAT liabilities of other group companies under the group VAT registration. At the accounting date, the Group liability was £10,828,000 (2012: £9,028,000).

26. Related parties

Related party transactions

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

Compensation of key management

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

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Emoluments	2,200	1,892	1,952	1,661
Contributions to money purchase pension plans	259	264	224	231
	2,459	2,156	2,176	1,892

26. Related parties (continued)

Related party transactions with fellow group undertakings

	Group £000	Company £000
Amounts owed by undertaking		
At start of year	6,252	3,534
Sales/income	21,540	19,514
Receipts	(8,026)	(2,534)
Dividends	-	(1,000)
At end of year	19,766	19,514
Amounts owed to undertaking		
At start of year	2,856	3,035
Expenses	4,371	2,987
Payments	(3,620)	(2,035)
Dividends	(1,000)	(1,000)
At end of year	2,607	2,987

Included in group undertaking sales/income is £10,903,000 in respect of the sale of assets to VolkerServices Limited and £1,896,000 in respect of the reimbursement of costs by VolkerWessels UK Limited as detailed in note 5. The debtor relating to the sale of assets remained outstanding at 31 December 2013.

27. 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.

28 Accounting estimates and judgements

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

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

(a) Revenue recognition

The Company uses the percentage-of-completion method to determine the appropriate amount 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 19.