Colas Limited and
subsidiary undertakings

Annual report and accounts

2014

Company No: 02644726

Colas Limited and subsidiary undertakings
Annual report and accounts for the year ended 31 December 2014

Contents

Company **overview**

Colas is an award-winning ambitious business, delivering sustainable solutions for the design, building and maintenance of transport infrastructure across the UK and beyond. Our unrivalled expertise is based not only on our long history, but also on the strength that we derive from being part of the world-renowned and highly successful International Colas Group.

Our operations help shape a better future for the environment in which we live and the communities in which we work. Everywhere. Everyday.

Our **Vision**

Deliver growth through intelligent infrastructure solutions, excellent service & inspired people. Utilising the expertise of the International Colas Group.

Our **Mission**

We will provide sustainable solutions for our customers and our communities by:

- Working safely
- Understanding their needs
- Developing our people
- Innovative & intelligent engineering
- Utilising the expertise of the International Colas Group

Our **Values**

Our values are behind everything we do and everything we stand for. They describe the qualities that have made us the company we are and will help us become the company we want to be. We have identified five values that describe our company and our people.

- ✔ **Responsible**
- ✔ **Talented**
- ✔ **Innovative**
- ✔ **Visionary**
- ✔ **Passionate**

Turnover including joint ventures

2014 - **£328.9m**

2013 - **£324.1m**

Profit after tax

2014 - **£8.0m**

2013 - **£6.7m**

23 locations across the UK

Part of **11** joint ventures

1,290 average number of employees

£253.4m work in hand

Chief Executive's review

Overall performance

The market conditions remained very competitive throughout the year, albeit the Group (Colas Limited and subsidiary undertakings) achieved turnover including joint ventures of £328.9 million compared to £324.1 million in the previous year, an increase of 1%. Profit overall was satisfactory; however, the exceptional income from the sale of property masked the disappointing operating profit which was adversely affected by the poor financial performance on a small number of projects.

Key performance indicators

The Board measures the performance of the business using set of Strategic Performance Indicators (SPIs) which forms part of the Performance Management Framework which link the SPIs to the strategy and objectives of the company via the strategic aims. Each SPI is then deployed to Business Unit level and is measured using a Business Performance Indicator (BPI) and can also be further deployed to individuals within the organisation and measured as a Personal Performance Indicator (PPI). Using this methodology ensures that all performance measurement in the organisation ultimately links back up to the company's strategic aims.

Key SPIs measured are: -

	2014	**2013**
Lost Time Incident Frequency Rate	0.18	0.06
Employee Satisfaction Score	71	72
Customer Satisfaction (Net Promoter Score)	55.9	28.1
Work in Hand	42%	44%

Business review

As part of our strategic review the business has been restructured into work sectors: Asset Management, Contracting and Industrial.

<u>Asset Management</u>

Asset Management includes all the term contracts where Colas maintains the clients assets. It also includes the Colas share of Joint Ventures and subsidiaries for term contracts. Some notable milestones during the year include: -

- South West Highways Limited, the Colas 50% owned subsidiary, was awarded a 2 year extension to the Devon term maintenance contract to take this contract through to 2017.

- In March 2014 the Wirral term maintenance contract completed which Colas had held for 5 years.

- 2014 saw the first full year of the CVU joint venture under the Central London Highways Alliance Contract which is an 8 year contract for Transport for London. The contract includes highways and structural maintenance and also the design and build of new schemes. Disappointingly the financial performance has not achieved expectations at this stage of the contract.

- The A-one+ joint venture for the Highways Agency MAC contracts has performed well during the year and was successful in being awarded the winner of the Managing Down Cost / Improving Value category at the Highways Agency Supply Chain Awards.

- The Colas Roadbridge joint venture in Ireland for the Motorway Maintenance and Renewal Contract (MMaRC) saw its first full year and has performed in line with expectations.

Contracting

Contracting includes the shorter term spot contracts and traditional contracting processes which Colas undertakes. During 2014 the Contracting result included: -

- Several key airfield projects which were being targeted by Colas were either not progressed or deferred due to client procurement delays. However, in December Colas secured a £10m project in the Falkland Islands.

- The Traffic Management business performed well during the year and in collaboration with Aximum, our Colas sister company in France, we have introduced a new temporary vertical barrier system into the UK market.

- The Colas joint venture project in Birmingham to divert the A45 and extend the runway at Birmingham Airport was substantially completed during the year. The project also included the construction of a new link taxiway and a full refurbishment of the existing runway. Whilst this has been an excellent reference contract for Colas, unfortunately it was loss making.

- Our specialist processes performed well with good volumes mainly from the local authority market where budgets are under pressure and we can provide cost-effective solutions.

Industrial

Industrial includes manufacturing and product sales and our quarrying activities. Key events in the year include: -

- A solid performance in the year at the manufacturing plant in Warrington, which produces bituminous products, this was achieved despite the volatility experienced with the bitumen price during 2014.

- A good year for Colas Cornwall Quarries who exceeded expectations through the year.

- I.C.B. Emulsions Limited is the wholly owned subsidiary in Northern Ireland, which imports and distributes bitumen and manufactures bitumen emulsions, and has had a satisfactory year with turnover slightly lower than 2013, but showing a healthy improvement in profit after tax.

Order book

The Work in Hand at the 2014 year end, including the share of joint ventures, was £253.4m (2013: £329.8m). This reduction is mainly as a result of shorter duration remaining on our existing term contracts. Of this figure £113.8m relates to 2015 which reflects 42% of the forecast turnover for 2015 secured at the start of the year.

Health, safety and the environment

The Group's number one strategic target is that 'safety is our first priority.' The Group's policy is to ensure the safety of its employees and any others who's health and safety may be affected by our operations. We continue to measure our performance via a number of key performance indicators noted below and the company operates an employee health screening programme which will ensure all operational employees have been seen by an occupational health specialist over a three year cycle. In 2014 we maintained our OHAS 18001 accreditation, participated in the group Safety Attitude campaign as well as continuing with our own 'together we make it zero' campaign.

Our safety performance was recognised in 2014 with a Gold Medal Award from ROSPA and a Gold MORR Award for our driver training scheme, Safer Attitudes in Driving (SAID) – also from ROSPA. We also received a Highly Commended award from the MPA for worker involvement and a runner up award for Innovation from the Road Surface Treatment Association.

	2014	2013
LTIFR (lost time incidents frequency rate)	0.18 per 100,000 hrs	0.06 per 100,000 hrs
Incidence rate (RIDDOR) (Industry RIDDOR average - 305 per 100,000 people)	101 per 100,000 people	268 per 100,000 people

Health, safety and the environment (continued)

Colas Limited has an established Environmental Management System registered to ISO14001 which is deployed throughout the organisation. Our primary objectives are to comply with applicable legislation, reduce our environmental impact and provide sustainable products and services for our customers. Performance continues to be measured against defined SPIs in respect of compliance and environmental sustainability.

In 2014, our Environmental Incident Frequency Rate (EIFR) was behind target of 0.21 as a result of seven reported incidents, all of which were minor in their nature and did not cause environmental damage or result in enforcement action by the regulators. Greenhouse gas emissions continue to decrease with a result of 114.58 tCO_2e per £million turnover compared to our 2014 target of 120 tonnes. This was as a result of the Company's on-going carbon reduction programme.
The volume of waste sent to landfill continues to be reduced with an overall recycling rate of greater than 98% achieved across the organisation by a number of initiatives, including the implementation of an office recycling scheme at our head office.

Outlook

The Directors are encouraged by the recent government announcement of increased infrastructure investment in particular on the strategic network in England and are looking to respond to this by expanding our core offering to take advantage of this additional spend. We believe that these opportunities now arising in the market will enable us to capitalise by showing further growth in sales in future years, whilst maintaining our margin expectation.

L. Rushbrooke
Chief Executive
Date: 21/4/15

Finance Director's review

Trading performance

The Group turnover for 2014 including joint ventures was 1% up on 2013 at £328.9 million. There was an increased level of turnover in Traffic Management and the CVU joint venture for Transport for London, offset by the completion of the Wirral TMC contact in March 2014 and a lower level of activity in airfields projects. The gross profit was £43.6 million which was in line with the 2013 result. The total operating profit including joint ventures was £8.0 million, which was £3.1m lower than 2013 mainly due to an increase in administrative expenses.

The profit on disposal of fixed asset of £3.6 million in 2014 related to the profit on sale of an unused depot at Bromley-by-Bow.

Tax

The Group profit before tax for the year is £9.8 million. The corporation tax charge for the year is £1.8 million,which is lower than 2013 due to the utilisation in 2014 of brought forward capital losses, giving an effective tax rate of 18.0% (2013:27.7%).

Cash / working capital

The Group year-end cash balance was £20.1 million (2013:£32.4 million), in addition to this there was a £10.0 million (2013:£0.0m) loan to our parent company Colas SA at the year end. Capital expenditure incurred during the year was £8.3 million, which was £5.4m higher than 2013.

Banking

The Group has committed funding facilities in place with financial institutions to manage its cash requirements including seasonal variations.

Risk and uncertainties

Effective management of risk is a vital component of our ability to provide services to our customers, and our ability to meet the needs and expectations of other stakeholders. We proactively manage our risks via an annual risk mapping exercise which generates follow-up action plans which are implemented throughout the year.

The Group operates a diverse range of business operations within the market place, this somewhat mitigates the challenging market conditions that we have experienced over recent years. Being more selective in which contracts we bid for is a key part of our management process to mitigate the risk of winning contracts which ultimately under perform. The Group's activities expose it to a variety of financial risks and the risk management strategy seeks to minimise the potential adverse impact of these risks on the Group's financial performance. The Group does not trade in financial instruments and derivatives to mitigate these risks.

• Price risk – the Group has limited its exposure to price fluctuations of bitumen through forward contracts to purchase bitumen at pre-agreed prices. We also ensure that our contracts include relevant price fluctuation clauses and ensure where possible we have back to back arrangements with our supply chain.

• Credit risk – the Group policy requires appropriate credit checks to be carried out on new customers before any sales are made. We proactively manage the credit limits we allocate for our private clients on a risk basis.

• Liquidity risk – the Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through its cash flow forecasting. The Group's treasury function has a policy of optimising the level of cash in the businesses in order to minimise external borrowings.

• Foreign exchange risk – although a substantial part of the Group's revenue is earned within the UK, the Group is exposed to some risk in Euros, therefore we forward purchase / sell accordingly. The Group uses financial instruments in the form of forward foreign exchange contracts to hedge this exposure.

Internal control

We have an established internal audit function which audits across the business throughout the year. In addition we also have a rigorous annual self-evaluation of our internal controls. During 2014, alongside the overall review, the specific detailed focus was on ethics, compliance, combating corruption and human resources.

Pensions

The Colas (UK) Pension Plan has both defined benefit and defined contribution categories; membership of the defined benefit categories were closed to new entrants in 1996. The deficit, in relation to the defined benefit categories, decreased in the year to £2.0 million (2013: £4.5 million), the main reasons for this are asset returns being higher than expected and the deficit contributions being paid by the company which both increase the asset value, and a reduction in the assumption for future inflation which serves to reduce the value placed on the Plan liabilities.

M. Overton
Finance Director
Date:
21-4-15

Company information

Directors	T. Montouche J. Leost F. Roussel L. Rushbrooke S.L. Struthers M. Overton D.P. Craik J. Thompson C.J. Fergusson
Secretary	G.D. Stanton
Company Number	02644726
Registered Office	Wallage Lane Rowfant Crawley West Sussex RH10 4NF
Independent Auditor	Mazars LLP Tower Bridge House St. Katharine's Way London E1W 1DD
Solicitors	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX
Bankers	Barclays Bank Plc Hamilton Road Slough Berkshire SL1 4SG

Directors' report

The Directors present their report and audited financial statements of Colas Limited and its subsidiaries for the year ended 31 December 2014.

Principal activities

The business conducted by the Group consists of the provision of an integrated range of road and airfield construction, maintenance and electrical engineering services and products, together with the manufacture of bitumen emulsions and coated macadams and some quarrying activities.

Results and dividend

The results of the Group for the year ended 31 December 2014 are set out in the financial statements on pages 15 to 33. The Directors recommended the payment of a final dividend of £5,300,000 (2013: £4,240,000).

Research & development

The Group actively pursues the development of new products and processes within its market and will continue this approach in the future in conjunction with its parent company Colas SA. Through the skills and expertise of its R&D and Value Management Team it will develop and deliver technical advances, processes and innovations. This is in an effort to achieve practical, integrated solutions that incorporate the most advanced technologies to enhance the quality, effectiveness and safety of the Group's services and minimise their environmental impact.

Employees

Consultation with employees continues at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests; and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole. Communication with all employees continues through the in-house magazine, briefing meetings, intranet and the annual cascade to all staff by the CEO and Finance Director.

A staff bonus, linked to the achievement of various financial and safety objectives, exists to encourage employees to make a positive contribution towards the Group's trading and safety performance. An operative productivity bonus is also in existence. The Group operates a Share Incentive Plan whereby staff are given the opportunity to purchase, on a monthly basis, shares in our ultimate parent company. The Group is committed to ensuring equality of opportunity in employment. The aim of our equal opportunity policy is to ensure that no job applicant or employee receives less favourable treatment than others on grounds of gender, race, religion, colour, nationality, ethnic or national origin, marital status, having dependents, age, sexual orientation, medical conditions, disability, social class, trade union activity or political belief.

Disabled employees receive appropriate training to promote their career development within the Group. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts. Colas Limited has held the Investors in People Gold Award since December 2012.

Directors

The Directors at the date of this report are shown on page 10.

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for Directors who held office during the year.

Disclosure of information to auditor

Each Director has taken all the necessary steps they ought to have taken in order to make themselves aware of any information relevant to the audit, establish that auditor is aware of that information and that there is no information relevant to the audit of which the company's auditor is unaware.

Auditor

The auditor, Mazars LLP, has indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved and authorised for issue by the Board of Directors and signed by order of the Board.

G.D. Stanton
Secretary
Date: 21/04/15

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the 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 the company and of the profit or loss of the Group for that period. In preparing those 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Independent auditor's report to the **members of Colas Limited**

We have audited the financial statements of Colas Limited for the year ended 31 December 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditor

As explained more fully in the 'Statement of Directors' Responsibilities' set out on page 13, 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. 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.

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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

23 APRIL 2015

Colas Limited and subsidiary undertakings
Annual report and accounts for the year ended 31 December 2014

Consolidated profit and loss account
for the year ended 31 December 2014

	Notes	2014		2013	
		£'000s	£'000s	£'000s	£'000s
Turnover : Group and share of joint venture	2		328,888		324,124
Less: share of joint ventures' turnover			(43,165)		(44,530)
Group turnover			285,723		279,594
Cost of sales			(242,152)		(236,015)
Gross profit			43,571		43,579
Distribution costs			(1,905)		(1,743)
Administrative expenses			(41,708)		(38,820)
Other operating income	3		3,722		3,470
Group operating profit	4		3,680		6,486
Share of operating profit in joint ventures			4,313		4,614
Total operating profit : Group and share in joint ventures			7,993		11,100
Profit on disposal of fixed assets			3,622		-
Interest receivable					
Group		345		362	
Joint ventures		37		64	
			382		426
Interest payable					
Group		(2)		(65)	
Joint ventures		(2,040)		(2,147)	
	7		(2,042)		(2,212)
Other finance costs			(185)		(43)
Profit on ordinary activities before taxation			9,770		9,271
Tax charge on profit on ordinary activities	8		(1,766)		(2,567)
Profit for the financial year	21		8,004		6,704

All amounts relate to continuing operations.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2014

		2014		2013	
		£	£	£	£
Profit for the financial year					
Group			6,268		4,774
Joint ventures			1,736		1,930
Profit for the year attributable to members of the parent company			8,004		6,704
Actuarial gain/(loss) on defined benefit pension scheme	25	271		(4,778)	
Deferred tax on actuarial gain/(loss) relating to pension	25	(54)	217	1,027	(3,751)
Derivative hedging instrument movements		(14)		-	
Deferred tax derivative hedging instrument movements		3	(11)	-	-
Total recognised gains and losses relating to the year			8,210		2,953
Group			6,474		1,023
Joint ventures			1,736		1,930
			8,210		2,953

Consolidated balance sheet
at 31 December 2014

Company No: 2644726

	Notes	2014 £'000s	2014 £'000s	2013 £'000s	2013 £'000s
Fixed assets					
Intangible fixed assets	10		649		988
Tangible assets	11		32,165		27,964
Investments in joint ventures:	12				
- share of gross assets		43,375		43,669	
- share of gross liabilities		(40,593)		(41,123)	
- transfer to provision for liabilities and charges		827		827	
Share of net assets			3,609		3,373
			36,423		32,325
Current assets					
Stocks	13	5,813		6,669	
Debtors	14				
- due after more than one year		2,450		2,590	
- due within one year		72,909		59,890	
		75,359		62,480	
Cash at bank and in hand		20,090		32,427	
		101,262		101,576	
Creditors: amounts falling due within one year	15	(83,630)		(81,965)	
Net current assets			17,632		19,611
Total assets less current liabilities			54,055		51,936
Creditors: amounts falling due after more than one year	18		(335)		(391)
Provisions for liabilities	16		(13,119)		(13,045)
Net assets excluding pension liability			40,601		38,500
Pension liability	25		(1,605)		(3,474)
Net assets			38,996		35,026
Capital and reserves					
Called up share capital	19		26,500		26,500
Capital redemption reserve	20		12		12
Profit and loss account	21		12,484		8,514
Total shareholders' funds	22		38,996		35,026

Approved and authorised for issue by the board of directors and signed on its behalf on 21 APRIL 2015 by;

M. Overton
Director
Signed

L. Rushbrooke
Director
Signed

The notes on pages 18 to 33 form part of these financial statements.

Company balance sheet
at 31st December 2014

Company No: 2644726

	Notes	2014 £'000s	2014 £'000s	2013 £'000s	2013 £'000s
Fixed assets					
Tangible assets	11		31,849		27,696
Investments in group undertakings	12		1,233		1,233
Investments in joint ventures	12		110		110
			33,192		29,039
Current assets					
Stocks	13	5,342		6,052	
Debtors	14				
- due after more than one year		2,450		2,590	
- due within one year		70,741		57,298	
		73,191		59,888	
Cash at bank and in hand		19,319		31,233	
		97,852		97,173	
Creditors: amounts falling due within one year	15	(83,818)		(79,484)	
Net current assets			14,034		17,689
Total assets less current liabilities			47,226		46,728
Creditors: amounts falling due after more than one year	18		(335)		(391)
Provisions for liabilities	16		(12,292)		(12,218)
Net assets excluding pension liability			34,599		34,119
Pension liability			(1,470)		(3,220)
Net assets			33,129		30,899
Capital and reserves					
Called up share capital	19		26,500		26,500
Capital redemption reserve	20		12		12
Profit and loss account	21		6,617		4,387
Total shareholders' funds	22		33,129		30,899

Approved and authorised for issue by the board of directors and signed on its behalf on 21 APRIL 2015 by;

M. Overton
Director
Signed

L. Rushbrooke
Director
Signed

The notes on pages 18 to 33 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2014

1 Principal accounting policies

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. The directors consider that the following accounting policies have been applied consistently in relation to the Group's financial statements.

Going concern

At the date of signing of the financial statements, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The Group financial statements consolidate the financial statements of Colas Limited, all of its subsidiaries and the Group's share of the results of joint ventures. The subsidiaries are consolidated using acquisition accounting and joint ventures are consolidated using gross equity accounting.

Turnover

In accordance with FRS5, the commercial substance of contracts is reviewed by management and separate elements are appropriately treated as short term (or maintenance and repairs) contracts or long term contracts. Turnover represents the value of invoiced sales short contract work and product sales, net of value added tax and trade discounts, together with the estimated sales value of work performed on long term contracts as proportion of the total contract value less any foreseeable losses. Turnover and a prudent estimate of the profit attributable to work completed on long-term contracts is recognised once the outcome of the contract can be recognised with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown as long-term contract balances.

Loss making contracts

When it is probable that the total contracts cost will exceed total contracts turnover, the expected loss is recognised as an expense immediately.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group has obligations under property leases and the space has ceased to be used for the purposes of the business, full provision for onerous lease contract is made for future net outstanding liabilities under such leases after taking into account the effect of any expected sub-letting arrangements. Onerous lease provisions have been discounted to present value.

Other operating income

Other operating income consists principally of fees and management expenses charged to joint ventures.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	7-40 years
Long and short leasehold land and buildings	over the lease term
Plant and machinery	2-15 years
Fixtures, fittings and equipment	2-10 years

The cost of quarry reserves is depreciated using a unit-of-production method based upon estimated proved reserves. Cumulative depreciation at the end of the period will equate to straight line depreciation over the estimated useful life.

Intangible fixed assets and goodwill

Intangible fixed assets comprise patents, licences and know-how and are stated at cost less accumulated amortisation. Amortisation is calculated so as to write off the cost on a straight line basis over their estimated useful lives of 10-20 years.

Purchased goodwill is eliminated by amortisation through the profit and loss account over its estimated useful economic life. The useful economic life of the asset shown in note 9 has been estimated by directors at 10 years. Provision is made for any impairment.

Stock

Stock and short term work-in-progress are stated at the lower of cost and net realisable value. Cost includes attributable overheads and all costs incurred to bring the stock to its current condition and location. Full provision is made for obsolete and defective stocks.

Research and development

Expenditure on research and development is charged to the profit and loss account as incurred.

Investments

Investments in subsidiary undertakings and joint ventures are stated at cost less any provision for impairment.

Notes to the financial statements for the year ended 31 December 2014

1 Principal accounting policies (continued)

Joint ventures
A share of the turnover and profits or losses of joint ventures is included in the consolidated profit and loss account. A share of the net assets of joint ventures is included in the balance sheet as investments. A share of any net liabilities of joint ventures is included in the balance sheet within provisions for liabilities and charges.

Joint arrangements

The Group has contractual agreements with other participants to engage in joint activities that do not create entities carrying on a trade or business of their own. The group includes its share of assets and liabilities in such joint arrangements and of the profit or loss from such joint arrangements, measured in accordance with the terms of each arrangement, which is pro-rata to the Group's interest in the joint arrangement.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Government and other grants

Government grants in respect of capital expenditure are credited to a deferred income account and are amortised to the profit and loss account in equal annual instalments over the expected useful economic lives of the related assets once it has been determined that all the conditions relating to the grant have been satisfied and there will be no recourse for the grant.

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions
The company operates both defined contribution and defined benefit pension schemes.

Some employees are part of a defined benefit pension scheme, the assets of which are held separately from those of the company in independently administered funds. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The actuarial valuation is updated on an annual basis.

The deficit on the Group's defined benefit pension scheme is recognised in full and presented on the face of the balance sheet net of the related deferred tax asset, to the extent that it is considered recoverable.

The Group also operates defined contribution schemes. The assets of such schemes are held separately from those of the Group in independently administered funds. The amounts charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Cash flow statement
The Group is a wholly owned subsidiary of Colas SA and is included in the consolidated financial statements of Colas SA, which are publicly available. Consequently, the group has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

Related party transactions

The Group is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Group as these transactions are fully eliminated on consolidation.

Share based payments

Bouygues SA (the Company's ultimate parent company) operates a share option scheme under which options over shares in Bouygues SA have been granted to certain Company Directors and employees. The Directors do no consider that the associated share based payemnt charge would be material and therefore no share based payment charge has been included in these financial statements.

Notes to the financial statements for the year ended 31 December 2014

2 Segmental information

The geographical market analysis by destination of the group's turnover is as follows:

2014	Group £'000s	Joint ventures £'000s	Total £'000s
United Kingdom	285,522	43,165	328,687
Rest of Europe	201	-	201
	285,723	43,165	328,888

2013	Group £'000s	Joint ventures £'000s	Total £'000s
United Kingdom	279,359	44,530	323,889
Rest of Europe	235	-	235
	279,594	44,530	324,124

In the opinion of the directors, all turnover and results arise from a single business segment, being the provision of an integrated range of road construction, maintenance, quarrying and electrical engineering services and products.

3 Other operating income

	2014 £'000s	2013 £'000s
Royalties receivable	179	139
Rent receivable	146	155
Management fees	2,977	2,380
Pension recharges	-	183
Recharges of bid costs	-	103
Profit/(loss) on sale of fixed assets	29	(84)
Amortisation of government grant	56	56
Foreign currency (loss)/gain	(40)	15
Sundry income	375	523
	3,722	3,470

4 Group operating profit

	2014 £'000s	2013 £'000s
This is stated after charging/(crediting):		
Depreciation of owned fixed assets	4,043	4,113
Amortisation of goodwill	339	339
Research and development	856	1,024
Operating lease rentals - plant and machinery	3,512	4,103
Operating lease rentals - other	1,986	2,034
Loss/(profit) on disposal of tangible fixed assets	(29)	84
Fees payable to the auditor for the audit of the Group and Company financial statements	208	182
Fees payable to the auditor for the other services	9	-
Difference on foreign exchange	40	(15)
Amortisation of government capital grants (Note 18)	(56)	(56)

5 Directors' emoluments

	2014 £'000s	2013 £'000s
Emoluments	987	928
Contributions to money purchase pension schemes	47	17
	1,034	945
Highest paid director:		
Emoluments	286	226
Contributions to money purchase pension schemes	29	-
	315	226
Accrued pension at the year end	39	36
Accrued lump sum at the year end	-	-

The highest paid director exercised share options during the year and was also granted share options in the ultimate parent company Bouygues SA.

	2014 Number	2013 Number
Number of Directors who received share options in respect of qualifying services	6	6
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	3	4
Money purchase pension schemes	3	3

6 Staff costs

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

	2014 Number	2013 Number
Administration	508	502
Contracting and distribution	782	750
	1,290	1,252

The aggregate payroll costs of these persons were as follows:

	£'000s	£'000s
Wages and salaries	57,490	57,674
Social security costs	6,073	6,077
Other pension costs	8,342	5,724
	71,905	69,475

7 Interest payable and similar charges

	2014 £	2013 £
On bank loans and overdrafts	1,726	1,854
On amounts due to ultimate parent undertaking	308	336
Finance charges payable under finance leases and hire purchase contracts	8	22
	2,042	2,212

8 Tax on profit on ordinary activities

	2014 £'000s	2013 £'000s
Tax relates to the following:		
Parent undertaking and subsidiaries	1,207	1,966
Joint ventures	559	601
	1,766	2,567
United Kingdom Taxation		
Corporation tax at 21.5% (2013: 23.25%)		
Current tax on income for the period		
Group	542	1,335
Share of joint venture	619	534
Adjustments in respect of prior years	252	102
	1,413	1,971
Deferred taxation		
Deferred taxation for the period		
Group	413	529
Share of joint venture	(60)	67
Total deferred taxation	353	596
Tax on profit on ordinary activities	1,766	2,567

Notes to the financial statements for the year ended 31 December 2014

8 Tax on profit on ordinary activities (continued)

The tax assessed for the year is at a standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £'000s	2013 £'000s
Profit on ordinary activities before tax	9,770	9,271
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	2,101	2,156
Effects of:-		
Expenses not deductible for tax purposes	99	59
Capital allowances in excess of depreciation	175	395
Other short term timing differences	40	106
Pension adjustment	(475)	(699)
Utilisation of tax losses	(779)	(148)
Adjustments in respect of previous periods	252	102
	1,413	1,971

Factors that may affect future tax charges
The Finance Act 2013 reduced the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and further to 20% effective from 1 April 2015. The closing deferred tax balance has therefore been recognised at 20%.

Deferred tax
The Group has recognised in the profit and loss account, deferred tax of £413,000 (2013: £529,000) relating to accelerated capital allowances and other timing differences and in the statement of total recognised gains and losses. The Group also recognised deferred tax of £51,000 (2013: (£1,027,000)) relating to actuarial gain/(loss) relating to defined benefit pension scheme and derivative hedging instrument .

9 Dividend on equity shares

	2014 £'000s	2013 £'000s
(a) Amounts recognised as distributions to equity holders in the year		
Final dividend paid for the year ended 31 December 2013	4,240	2,120

(b) Proposed dividends not recognised in the year
Proposed final dividend for the year ended 31 December 2014 of £5,300,000 (2013: £4,240,000).

10 Intangible fixed assets

Group	Goodwill £'000s	Patents, licences and know-how £'000s	Total £'000s
Cost			
At 1 January 2014	6,117	1,914	8,031
At 31 December 2014	6,117	1,914	8,031
Amortisation			
At 1 January 2014	5,129	1,914	7,043
Provided during the year	339	-	339
At 31 December 2014	5,468	1,914	7,382
Net book value			
At 31 December 2014	649	-	649
At 31 December 2013	988	-	988

Notes to the financial statements for the year ended 31 December 2014

11 Tangible fixed assets

Group

	Freehold land and buildings £'000s	Leasehold land and buildings £'000s	Plant and machinery £'000s	Fixtures, fittings and equipment £'000s	Total £'000s
Cost					
At 1 January 2014	26,800	235	41,880	3,699	72,614
Additions	103	-	7,739	505	8,347
Disposals	(221)	-	(2,579)	(294)	(3,094)
At 31 December 2014	26,682	235	47,040	3,910	77,867
Depreciation					
At 1 January 2014	8,820	227	32,804	2,799	44,650
Charge for the year	1,224	6	2,365	448	4,043
On disposals	(143)	-	(2,554)	(294)	(2,991)
At 31 December 2014	9,901	233	32,615	2,953	45,702
Net book value					
At 31 December 2014	16,781	2	14,425	957	32,165
At 31 December 2013	17,980	8	9,076	900	27,964

Company

	Freehold land and buildings £'000s	Leasehold land and buildings £'000s	Plant and machinery £'000s	Fixtures, fittings and equipment £'000s	Total £'000s
Cost					
At 1 January 2014	22,762	162	37,544	3,657	64,125
Additions	103	-	7,665	505	8,273
Disposals	(221)	-	(2,579)	(294)	(3,094)
At 31 December 2014	22,644	162	42,630	3,868	69,304
Depreciation					
At 1 January 2014	4,887	153	28,630	2,759	36,429
Charge for the year	1,221	6	2,343	447	4,017
On disposals	(143)	-	(2,554)	(294)	(2,991)
At 31 December 2014	5,965	159	28,419	2,912	37,455
Net book value					
At 31 December 2014	16,679	3	14,211	956	31,849
At 31 December 2013	17,875	9	8,914	898	27,696

Notes to the financial statements for the year ended 31 December 2014

12 Fixed asset investments - Group undertakings

Company	Shares in Group undertakings £'000s
Cost	
At 1 January 2014 and 31 December 2014	23,614
Amounts provided:	
At 1 January 2014 and 31 December 2014	(22,381)
Net book value	
At 31 December 2014	1,233
At 1 January 2014	1,233

The amounts provided in prior periods relate to the impairment of investments in Aram Resources Limited, AFS Colas Lighting Limited, Colas Highway Services Limited and Colcon Limited.

Additional information on principal subsidiary undertakings:

Trading Subsidiaries	Country of registration or incorporation	Class of shares held	Percentage held
ICB Emulsions Limited	Northern Ireland	Ordinary	100%

The principal activities of the Company's subsidiary undertakings are as follows:

ICB Emulsions Limited – is engaged in the manufacture of bitumen emulsions, road contracting, civil engineering and distribution of building products.

12 Fixed asset investments - Other

Group	Interests in joint ventures £'000s
At 1 January 2014	3,373
Share of profits for the year	1,736
Dividends paid by joint ventures	(1,500)
At 31 December 2014	3,609

Additional disclosures for joint ventures:	2014		2013	
(which in aggregate exceed the 15% threshold)	£'000s	£'000s	£'000s	£'000s
Share of assets				
Fixed assets	25,032		26,250	
Current assets	18,343		17,419	
		43,375		43,669
Share of liabilities				
Due within one year	(11,766)		(11,306)	
Due after more than one year	(28,827)		(29,817)	
		(40,593)		(41,123)
		2,782		2,546
Transfer to provisions for liabilities		827		827
Group's share of net assets		3,609		3,373

12 Fixed asset investments - Other (continued)

The 25% threshold was exceeded for one of the joint ventures. Additional disclosures are given for this company as follows:

	2014		2013	
Ensign Highways Limited	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Turnover		16,124		12,772
Profit before taxation		936		733
Taxation		(186)		(156)
Profit after taxation		750		577
Share of assets				
Fixed assets	23,660		24,517	
Current assets	10,483		9,701	
		34,143		34,218
Share of liabilities				
Due within one year or less	(4,112)		(3,696)	
Due after more than one year	(28,577)		(29,818)	
		(32,689)		(33,514)
Share of net assets		1,454		704

Company	**Interests in joint ventures £'000s**
Cost	
At 1st January 2014 and 31 December 2014	110

Additional information on joint ventures:

The joint ventures are listed below together with the proportion of share capital held.

Company	Country of registration or incorporation	Class - Shares held	Principal activity
South West Highways Limited	England & Wales	Ordinary - 50%	Maintenance of highways and vehicles
Newhaven Roadstone Limited	England & Wales	Ordinary - 50%	Manufacture and sale of coated macadams and sale of dry stone
Pennine Highways Limited	England & Wales	Ordinary - 50%	Non-trading
Ensign Highways Holdings Limited	England & Wales	Ordinary - 50%	Holding company for Ensigns Highways Limited
Ensign Highways Limited*	England & Wales	Ordinary - 50%	Construction and repair of highways

*Through Ensign Highways Holdings Limited

Notes to the financial statements for the year ended 31 December 2014

13 Stock

	Group 2014 £'000s	Group 2013 £'000s	Company 2014 £'000s	Company 2013 £'000s
Raw materials and consumables	3,083	3,191	2,894	3,100
Finished goods and goods for resale	2,730	3,478	2,448	2,952
	5,813	6,669	5,342	6,052

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14 Debtors

	Group 2014 £'000s	Group 2013 £'000s	Company 2014 £'000s	Company 2013 £'000s
Amounts falling due within one year:				
Trade debtors	31,391	31,527	29,633	29,131
Amounts recoverable on contracts	9,066	8,315	9,066	8,315
Amounts owed by group undertakings	10,200	229	10,053	190
Amounts owed by joint ventures	14,749	9,026	14,749	9,026
Deferred tax asset (Note 17)	553	560	550	493
Other debtors	5,153	7,677	4,971	7,657
Prepayments and accrued income	1,797	2,556	1,719	2,486
	72,909	59,890	70,741	57,298
Amounts due after one year:				
Amounts owed by joint ventures	2,450	2,590	2,450	2,590
	75,359	62,480	73,191	59,888

Included in amounts owed by joint ventures is a trade debt of £2,305,000 (2013: £2,339,000) and a loan of £2,590,000 (2013: £2,450,000) due from Ensign Highways Limited.

15 Creditors: amounts falling due within one year

	Group 2014 £'000s	Group 2013 £'000s	Company 2014 £'000s	Company 2013 £'000s
Trade creditors	21,416	14,464	19,896	13,595
Amounts owed to ultimate parent undertaking	2,238	1,388	2,135	1,156
Amounts owed to group undertakings	1,631	83	4,631	83
Corporation tax	921	1,037	694	832
Other taxes and social security costs	6,613	7,286	6,384	6,883
Other creditors	11,428	12,320	11,177	12,060
Payments on account	360	171	360	171
Accruals	39,023	45,216	38,541	44,704
	83,630	81,965	83,818	79,484

16 Provisions for liabilities

Group	At 1 January 2014	Additional provision	Amounts utilised	At 31 December 2014
	£'000s	£'000s	£'000s	£'000s
Onerous contract	1,634	3,653	(3,918)	1,369
Contracts provision	8,194	2,984	(2,450)	8,728
Environmental provision	38	85	(30)	93
Onerous lease provision	691	41	(114)	618
Share of net liabilities of joint ventures	827	-	-	827
Long service award	325	-	-	325
Insurance claims provision	1,336	61	(238)	1,159
	13,045	6,824	(6,750)	13,119

Company	At 1 January 2014	Additional provision	Amounts utilised	At 31 December 2014
	£'000s	£'000s	£'000s	£'000s
Onerous contract	1,634	3,653	(3,918)	1,369
Contracts provision	8,194	2,984	(2,450)	8,728
Environmental provision	38	85	(30)	93
Onerous lease provision	691	41	(114)	618
Long service award	325	-	-	325
Insurance claims provision	1,336	61	(238)	1,159
	12,218	6,824	(6,750)	12,292

Onerous contracts

The provision made for losses on contracts is expected to be utilised in 2015.

Contract provision

Provision made to rectify in the future periods work completed in the current or earlier years. The majority of the provision is expected to be utilised within five years.

Environmental

The provision relates to the balance of the estimated cost of removing plant and returning the land to agricultural pasture for one of our sites on which the lease expired in 2004.

Onerous lease provision

The Group has two wharf sites where it does not currently have any operational plans and which are on long term lease agreements. One of these sites was disposed of in 2006. The lease on the second premises runs until 2021. Full provision has been made for lease costs.

Long service award

Long service award is accrued over the period the service is provided by the employee.

Insurance claims provision

Insurance claim provisions are recognised for claims notified and for claims incurred but which have not yet been notified, based on advice from Group insurance department.

Share of net liabilities of joint ventures

The share of net liabilities of joint ventures represents the Group's share of deficiency in net assets within two of the joint venture companies - Newhaven Roadstone Limited and Ensign Highways Limited.

Notes to the financial statements for the year ended 31 December 2014

17 Deferred taxation

	Group 2014 £'000s	Group 2013 £'000s	Company 2014 £'000s	Company 2013 £'000s
The potential deferred taxation asset unprovided is as follows:				
Accelerated capital allowances	52	76	52	76
Unrelieved trading losses	1,214	1,305	1,214	1,305
Other timing differences	67	91	67	91
	1,333	1,472	1,333	1,472
Unrealised capital gains	4,107	4,107	4,107	4,107

The directors believe that there is uncertainty over the recoverability of the deferred tax asset and have therefore not recognised the asset in these accounts.

	Group 2014 £'000s	Group 2013 £'000s	Company 2014 £'000s	Company 2013 £'000s
The following are the major deferred tax assets recognised by the Group and movements thereon during the current and prior period.				
At 1 January 2014	1,575	1,077	1,387	977
Charged to the profit and loss account (note 8)	(413)	(529)	(413)	(529)
Charged to statement of total recognised gains and losses	(51)	1,027	(63)	939
At 31 December 2014	1,111	1,575	911	1,387
Accelerated capital allowances	(53)	(125)	(56)	(128)
Other timing differences	606	685	606	621
Deferred tax asset (note 14)	553	560	550	493
Pension fund deficit	558	1,015	361	894
	1,111	1,575	911	1,387

Deferred tax in respect of Group's defined benefit pension scheme is disclosed in note 25.

18 Creditors: amounts falling due after more than one year

Government grants	Group 2014 £'000s	Group 2013 £'000s	Company 2014 £'000s	Company 2013 £'000s
At 1 January	391	447	391	447
Amortisation in the year	(56)	(56)	(56)	(56)
Total deferred income at 31 December	335	391	335	391

19 Share capital	Group and Company 2014 Number'000s	Group and Company 2013 Number'000s	Group and Company 2014 £'000s	Group and Company 2013 £'000s
Allotted, called up and fully paid:				
Equity Shares				
Ordinary shares of £1 each	26,500	26,500	26,500	26,500

20 Capital redemption reserve **Group and Company**	2014 £'000s	2013 £'000s
At 1 January and 31 December	12	12

Notes to the financial statements for the year ended 31 December 2014

21 Profit and loss account

	Group 2014 £'000s	Group 2013 £'000s	Company 2014 £'000s	Company 2013 £'000s
At 1 January	8,514	7,681	4,387	4,788
Profit for the financial year	8,004	6,704	6,219	5,147
Other recognised gains and (losses) relating to the year	206	(3,751)	251	(3,428)
Dividend paid	(4,240)	(2,120)	(4,240)	(2,120)
At 31 December	12,484	8,514	6,617	4,387

In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.The profit for the year dealt with in the individual accounts of the company was £6,219,000 (2013: £5,147,000).

22 Reconciliation of movements in shareholders' funds

	Group 2014 £'000s	Group 2013 £'000s	Company 2014 £'000s	Company 2013 £'000s
Opening shareholders' funds	35,026	34,193	30,899	31,300
Profit for the financial year	8,004	6,704	6,219	5,147
Other recognised gains and (losses) relating to the year	206	(3,751)	251	(3,428)
Dividend paid	(4,240)	(2,120)	(4,240)	(2,120)
Closing shareholders' funds	38,996	35,026	33,129	30,899

23 Other financial commitments

At the year end the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £'000s	Land and buildings 2013 £'000s	Other 2014 £'000s	Other 2013 £'000s
Operating leases which expire:				
within one year	346	349	234	426
within two to five years	240	227	858	945
in over five years	5	5	-	83
	591	581	1,092	1,454

Company	Land and buildings 2014 £'000s	Land and buildings 2013 £'000s	Other 2014 £'000s	Other 2013 £'000s
Operating leases which expire:				
within one year	346	324	234	426
within two to five years	240	221	825	915
in over five years	5	5	-	83
	591	550	1,059	1,424

The Group's share of annual financial commitments of joint ventures is £478,000 (2013: £556,000).

24 Contingent liabilities and financial commitments

The Company has given commitments in the form of guarantees and performance bonds relating to construction and other agreements entered into in the normal course of business amounting to £10,497,000 (2013: £11,125,000).

In 2008, the Company gave the Colas (UK) Pension Plan a first charge over the freehold land and building at Rowfant to cover the deficit of the Plan.

The Company has committed to the purchase of bitumen for a sum of £24,692,000 (2013: £26,002,000) for 2015 to 2017.

25 Pension costs

The Colas (UK) Pension Plan:

The Colas (UK) Pension Plan provides benefits to the employees of the Group. The Plan is self-administered and its assets are held independently of the Group's finances. It has both defined benefit and defined contribution categories – the latter having been introduced in April 1996 to provide benefits for all future eligible employees. The Plan is funded partly by contributions from members and partly by contributions from the Group at rates advised by professionally qualified actuaries.

The Pension Plan includes members whose membership relates to employment with a subsidiary company ICB Emulsions Limited. The proportion of the deficit which concerns these members has been eliminated from the provision in the accounts parent company of Colas Limited and provided for in the accounts of ICB Emulsions Limited.

The Group has prepared its accounting statement under FRS17. A full actuarial valuation was carried out using the Projected Unit Credit method and updated to 31 December 2014 by a qualified independent actuary. The main assumptions used by the actuary are detailed in the disclosures below.

Change in benefit obligation

	2014 £'000s	2013 £'000s
Opening benefit obligation	66,228	60,863
Current service cost	642	639
Past service cost	-	255
Interest cost	2,992	2,757
Member contributions	117	176
Actuarial gains due to change in experience	-	(24)
Actuarial losses due to change in assumptions	7,105	3,683
Benefits paid	(2,382)	(2,121)
Closing benefit obligation	74,702	66,228

Change in plan assets

	2014 £'000s	2013 £'000s
Opening fair value of plan assets	61,740	58,862
Expected return on plan assets	2,857	2,737
Actuarial gains/(loss) on plan assets	7,376	(1,119)
Employer contributions	2,992	3,205
Member contributions	117	176
Benefits paid	(2,382)	(2,121)
Closing fair value of plan assets	72,700	61,740

Actual return on assets

	2014 £'000s	2013 £'000s
Actual return on plan assets	10,233	1,618

25 Pension costs (continued)

Amounts recognised in the consolidated balance sheet

	2014 £'000s	2013 £'000s
Present value of benefit obligations	74,702	66,228
Fair value of plan assets	(72,700)	(61,740)
Deficit	2,002	4,488
Deferred tax	(397)	(1,014)
Net deficit	1,605	3,474

Amounts recognised in the consolidated profit and loss account

	2014 £'000s	2013 £'000s
Current service cost	642	639
Past service cost	-	255
Interest cost	2,992	2,757
Expected return on plan assets	(2,857)	(2,737)
Total pension cost	777	914

Amounts recognised in the consolidated statement of total recognised gains and losses

	2014 £'000s	2013 £'000s
Actuarial gain	(271)	4,778
Deferred tax	54	(1,027)
Total pension cost	(217)	3,751

Principal actuarial assumptions

	2014 % p.a.	2013 % p.a.
Rate of increase in salaries	3.70	4.10
Rate of increase in pensions and deferment	3.20	3.60
Discount rate	3.60	4.60
Inflation assumption	3.20	3.60

	2014 Years	2013 Years
Member aged 65 (current life expectancy)	22.8	22.7
Member aged 40 (life expectancy at age 65)	24.6	24.5

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other assets classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption.

25 Pension costs (continued)

Sensitivity analysis

	2014		2013	
	-25 Basis points	+25 Basis points	-25 Basis points	+25 Basis points
1. Discount rate	75,150	69,134	68,982	63,631
Assumption	3.8%	4.3%	4.4%	4.9%
Weighted average duration (in years)	16.9	16.5	16.6	16.3
2. Inflation rate	69,334	74,922	63,889	68,695
Assumption	3.2%	3.7%	3.4%	3.9%
3. Mortality	74,115		68,014	
Assumption	less 1 age rating		less 1 age rating	

Plan assets

The assets allocation of the plan at the year end was as follows :

	Percentage of plan assets 2014 %	Expected return on plan assets 2014 %	Percentage of plan assets 2013 %	Expected return on plan assets 2013 %
Equities	16.7	6.6	19.3	6.6
Bonds	78.8	3.6	79.7	3.6
Property	-	-	-	-
Other	4.5	0.5	1.0	0.5
Total	100.0		100.0	

History of experience gains and losses

	2014 £'000s	2013 £'000s	2012 £'000s	2011 £'000s	2010 £'000s
Defined benefit obligation	74,702	66,228	60,863	61,972	60,025
Fair value of plan assets	(72,700)	(61,740)	(58,862)	(56,484)	(47,949)
	2,002	4,488	2,001	5,488	12,076
Difference between the actual and expected return on scheme assets:					
Amounts (£'000s)	7,376	(1,119)	(1,334)	(5,300)	(2,139)
Percentage of scheme assets	10%	(-2%)	(-2%)	(-9%)	(-4%)
Experience gains and losses on scheme liabilities:-					
Amount (£'000s)	-	(24)	(2,880)	80	(35)
Percentage of present value of scheme liabilities	0%	0%	(-5%)	0%	0%

Balance sheet reconciliation

	2014 £'000s	2013 £'000s
Opening deficit	4,488	2,001
Pension expense recognised in profit and loss account	777	914
Actuarial gain recognised in the STRGL	(271)	4,778
Contributions made by the Company	(2,992)	(3,205)
Closing deficit	2,002	4,488
Deferred tax	(397)	(1,014)
	1,605	3,474

Notes to the financial statements for the year ended 31 December 2014

25 Pension costs (continued)

Colas Limited defined contribution scheme

The Company also participates in the Colas Limited group scheme, a defined contribution scheme, the assets of which are held separately from those of the Group in an independently administered fund. The total Company contributions to this scheme in the year was £2,673,000 (2013: £2,895,000). At the end of the year £426,000 (2013: £434,000) of defined contribution were outstanding.

The total contributions expected to be made to the scheme by the group in the year to 31st December 2015 is £2,989,000.

ICB Emulsions Limited

The cost of contributions to the defined contribution scheme amounts to £10,000 (2013: £11,000).

26 Parent undertakings and ultimate controlling party

The Group's immediate parent is Colas SA, which is incorporated in France and is listed on the Paris stock exchange. The accounts of the Group and its subsidiary undertakings are incorporated in the financial statements which form part of the annual report of the Colas SA group of companies, the smallest group into which these results are consolidated.
Copies of Colas SA's consolidated accounts may be obtained from the Company at Colas Limited, Wallage Lane, Rowfant, Crawley, West Sussex, RH10 4NF.
Colas SA's ultimate parent company and controlling party is Bouygues SA, which is incorporated in France. This is the largest group into which these results are consolidated. Copies of Bouygues SA consolidated accounts may be obtained from the company at Challenger, 1 Avenue Eugène Freyssinet, 78061 Saint-Quentin-en-Yvelines, Cedex - France.

27 Joint arrangement

Since November 2007 Colas Ltd has a 37.5% share in a joint arrangement with Halcrow Group Limited and Costain Group Plc, for the maintenance of Area 10 which completed in November 2012 and from October 2009 and July 2010 the company has 33.3% share for the maintenance of Area 7,12 and 14 with the same joint venture partners. In 2012 Colas Ltd and Volker Highways were awarded two contracts under 50/50 joint arrangement to extend runway at Birmingham Airport including improvement of A45 and construction of a new motorway junction and bus lane at Tipner in Portsmouth. In 2013 the Company entered into joint arrangement with Volker Highways and URS Infrastructure to fulfill 8 years contract for Transport for London. Colas share is 40%. Turnover from joint arrangements included in the results is £98,299,000 (2013: £97,476,000) and loss before taxation of (£4,295,000) (2013: (£3,029,000)).