VolkerRail

VolkerRail Limited

Annual Report and Financial Statements

Registered number : 3184313

31 December 2015

Contents

Directors
SJ Cocliff (Managing Director)
NA Connell
PH Nolan
AR Robertson
VolkerWessels UK Limited
AM Wilkins
MG Woods

Auditor
Deloitte LLP
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London
EC4A 3BZ

Registered Office
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Registered Number
3184313

Principal Bankers

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NW1 6AA

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Car Hill Road
Doncaster
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North Lincolnshire
DN15 6UW

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EC1N 8SS

The Mill
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Off Ordsall Lane
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Principal activities

The principal activities of the Company are the engineering construction of all types of track systems together with whole life asset management, maintenance and renewals services for railways, metros and light rail networks.

The financial highlights of the Company are as follows:

	2015	2014
	£000	£000
Revenue	**86,159**	62,422
Gross profit	**7,713**	7,072
Gross profit margin	**9.0%**	11.3%
Operating profit	**3,774**	3,546
Operating profit margin	**4.4%**	5.7%
Net cash	**31,821**	38,470
Net assets	**10,232**	13,007
Secured order book	**67,192**	72,006
Secured and probable order book	**225,772**	346,678

The Company saw an increase in Revenues and Operating Profit in 2015 as result of the reduced scale of the Manchester Metrolink contract being more than offset by higher revenues and margins in other Major Projects. The solid foundation that has now been established, underpinned by a solid secured and probable order book, should ensure that the Company has the ability to grow year on year.

The company's Net Cash and Net Assets positions reduced in the year due to the payment of a £12million dividend by the VolkerRail Group, which is fully reflected within the VolkerRail Limited cash balance due to the Group's cash pooling arrangements. After adjusting for this payment Net Cash and Net Assets showed a positive movement in the year.

Company Overview

The Company delivers major multidisciplinary engineering projects, including Manchester Metrolink and Staffordshire Alliance (both jointly controlled operations with strategic alliance partners) and other alliance and large project works including Rail Electrification Alliance (REAL) delivering either direct with Network Rail, in partnership with other VolkerWessels UK companies or with other construction companies.

Our approach is founded on working in partnership: with our clients, with our external partners, and by leveraging the wide range of skills within the VolkerWessels UK group, to deliver high quality infrastructure solutions for the Rail industry.

We are in a strong position and continue to manage risk well, both in the pre-contract approach and during delivery. We are being well received by our clients and Network Rail in particular and we are attracting a high level of opportunities. Investment in the Rail sector continues to be a government priority and we have a good position in the market as one of the few contractors in the UK to hold all of the accreditations for working in the rail environment. Whilst our position is robust, we recognise that the future focus should be on continuing to grow the business in a sustainable way in order to take advantage of the growth opportunities that are now being presented.

2016 will be a challenge in respect to revenues delivered through the new Network Rail frameworks. Network Rail has to date not let the volumes anticipated at the time of tender. Initial feedback following three independent reports (The Hendy Report, The Shaw Report and The Bowe Review) is positive and we await the detail that supports the initial response before we can be sure of the value and timescale of the works. This uncertainty is likely to continue until the middle to late 2016 when volumes should increase significantly and continue at the increased level throughout 2017 and 2018 in order to deliver expected spend during CP5. However we are in a strong position financially and commercially in terms of key performance measures including contract awards, profitability and cash. Further positive results for the Company will be delivered during 2016 as the Company secures a number of the emerging opportunities that are presenting themselves.

In 2016 the directors expect all areas of the business to perform in line with or better than management forecasts in terms of key performance measures including contract awards, profitability and cash. The full year should therefore deliver further positive results for the company and see a strengthening of its financial position from 2015.

Manchester Metrolink (MPACT MM3 joint venture)

The Manchester Metrolink Phase 3 project has been highly successful for VolkerRail and all of the works are now in maintenance phase. The successful completion of this element of the overall programme maintained our strong relationship with the client and our JV partners. The Second City Crossing and Deansgate-Castlefield works continue to progress well and the initial development stages of the Trafford Park Line are underway.

Stafford Area Improvement Programme

The SAIP Alliance (Stafford Area Improvement Programme) continues positively. The current planned works are all progressing well and the discipline integration continues to improve. It is being heavily promoted within the rail industry as being the first true alliance.

Other Major Projects

The contract for Rail Electrification Alliance (REAL) has been established to design and implement the Power Supply Upgrade through the length of the East Coast Mainline in two phases over a five year programme. This will allow a more intensive timetable for the incoming Intercity Express Trains from 2017. Corey's Mill (Truncated) works continue on site with good progress. The TPE Electrification has been delayed by Network Rail and although there has been a recent announcement that these works will now go ahead, we are yet to understand what this means to the Alliance.

The contract for the Central IP Panel Framework is a five year agreement to provide enhanced and new railway systems across the LNW Route from Euston to Carlisle. The Client anticipates that this Agreement will be extended for a further five years to 2024. Works at Darwen and Bromsgrove have progressed well to date and we are now in discussion with the client on North West Electrification Phase 3 which involves the electrification and re-signalling of the line between Preston and Blackpool in addition to works on the train depot in Blackpool.

East West Rail

We have recently been made provisional preferred bidder for the East West Phase 2 Project which we propose to deliver as an Alliance in line with the SAIP model.

Forward order book

At 31 December 2015 the Company's secured order book stood at £67 million, which is comparable with 2014 when it stood at £72 million.

Contracts secured at 2014 have been successfully delivered and we have secured further contracts to replace these. The contracts signed on REAL and the Panel framework play a major part in replacing our secured forward order book as well as the award of the next phase of the Manchester Metrolink. The secured and probable orderbook has decreased from £347m in 2014 to £226m in 2015. This is due to the uncertainties around some of the Network Rail schemes within the frameworks which have resulted in opportunities not being crystallised in the volumes indicated at the tender stage. This is in line with industry wide concerns over lack of volumes being let.

Risk management

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

Financial risk management is discussed in note 18 to these financial statements.

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

Supply chain management

Supply chain management is an integral part of VolkerRail Limited'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 criteria including health & safety performance, design and technical capability, financial strength and ethical working practices.

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

As a signatory we undertake to:

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

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

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

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

Corporate Responsibility

Socially responsible behaviour is critical to a sustainable business strategy. The Company's overall performance is underpinned by integrating this behaviour into the organisation and upholding good corporate governance. We have established a clear framework that focuses on the four key areas of Marketplace, Workplace, Environment and Community. These four elements are subdivided into themes that act as objective areas against which we monitor our performance. The organisational governance of our Corporate Responsibility policy extends beyond environmental diligence, community involvement, and the health of our workforce, into fair operating practices and the maintenance of effective employee relations, morale and commitment.

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

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

We are committed to maintaining high standards in regard to the matters of health, safety, welfare, quality and environmental issues. We seek continual improvement through regular reviews, inspections and audits of our activities to develop various management systems and employees. We believe that the perception and reality of our Corporate Responsibility performance is fundamental to our success.

By order of the Board

S J Cocliff
Director
23 March 2016
VolkerRail Limited
Company registered number: 3184313

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

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

Dividends

The directors do not recommend the payment of the final dividend (2014: £nil). An interim dividend of £6,000,000 was paid during the year (2014: £2,000,000).

Directors

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

NA Connell
SJ Cocliff
PH Nolan
AR Robertson
VolkerWessels UK Limited
AM Wilkins
MG Woods

Employees

The Company is an equal opportunities employer.

The culture of the Company 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 Company has the management skills available to maintain growth underpinned by a robust internal promotion scheme.

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

The Company'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

During the year, the Company made charitable donations amounting to £10,653 (2014: £3,336). The Company made no political donations during the year (2014: £nil).

Directors' indemnities

The Company has arranged qualifying third party indemnity provisions for the benefit of its directors.

Going concern

Given the Group's net cash position and the strength of the forward secured order book, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future (see note 2.4 for further details).

Other disclosures

Disclosures in respect of future developments of the Group are given in the Strategic Report.

Information on financial instruments is given in note 18 of the financial statements.

Disclosure of information to auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of S148 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to be reappointment for another term and arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

By order of the Board

S J Cocliff
Director
23 March 2016
VolkerRail Limited
Company registered number: 3184313

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

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

We have audited the financial statements of VolkerRail Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Makhan Chahal

Makhan Chahal FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
23 March 2016

Income Statement
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Revenue	3	**86,159**	62,422
Cost of sales		**(78,446)**	(55,350)
Gross profit		**7,713**	7,072
Administrative expenses		**(3,939)**	(3,526)
Operating profit	4	**3,774**	3,546
Financial income	7	**98**	115
Financial expense	8	**(3)**	(4)
Profit before tax		**3,869**	3,657
Taxation	9	**(644)**	(760)
Profit for the year		**3,225**	2,897

All results derive from continuing operations.

The notes on pages 15 to 31 form an integral part of the financial statements.

Statement of Comprehensive Income
for the year ended 31 December 2015

	2015 £000	2014 £000
Profit for the year	**3,225**	2,897
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	**3,225**	2,897

The notes on pages 15 to 31 form an integral part of the financial statements.

VolkerRail Limited
Statement of Financial Position
at 31 December 2015

	Note	2015	2014
		£000	£000
Non-current assets			
Deferred tax assets	*11*	**157**	622
Current assets			
Trade and other receivables	*12*	**7,176**	9,064
Corporation tax receivable		**743**	192
Cash and cash equivalents	*13*	**31,821**	38,470
		39,740	47,726
Total assets		**39,897**	48,348
Equity			
Share capital	*17*	**4,000**	4,000
Capital contribution reserve		**1,400**	1,400
Retained earnings		**4,832**	7,607
Total equity		**10,232**	13,007
Non-current liabilities			
Provisions	*15*	**13**	35
Current liabilities			
Trade and other payables	*14*	**29,299**	35,135
Provisions	*15*	**353**	171
		29,652	35,306
Total liabilities		**29,665**	35,341
Total equity and liabilities		**39,897**	48,348

These financial statements were approved by the Board of Directors on 23 March 2016 and were signed on its behalf by:

SJ Cocliff
Director
Company registered number: 3184313

The notes on pages 15 to 31 form an integral part of the financial statements.

	Share capital £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2014	4,000	1,400	6,710	12,110
Comprehensive income				
Profit for the year	-	-	2,897	2,897
Transactions with owners				
Dividends paid	-	-	(2,000)	(2,000)
Balance at 31 December 2014	**4,000**	**1,400**	**7,607**	**13,007**
Balance at 1 January 2015	4,000	1,400	7,607	13,007
Comprehensive income				
Profit for the year	-	-	3,225	3,225
Transactions with owners				
Dividends paid			(6,000)	(6,000)
Balance at 31 December 2015	**4,000**	**1,400**	**4,832**	**10,232**

The notes on pages 15 to 31 form an integral part of the financial statements.

The Capital Contribution Reserve arose in 2008 when a Share Premium Reserve of £1,400,000 that had arisen on the issue of 4,000,000 shares in VolkerRail Limited was converted to a Capital Contribution Reserve following the acquisition of shares in VolkerRail Limited with a nominal value of £4,000,000 in exchange for shares in VolkerRail Group Limited with a nominal value of £5,400,000.

VolkerRail Limited
Cash Flow Statement
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the year		**3,225**	2,897
Adjustments for:			
Financial income		**(98)**	(115)
Financial expense		**3**	4
Tax charge in the Income Statement		**644**	760
Decrease / (increase) in trade and other receivables		**1,772**	(4,995)
Increase in trade and other payables		**2,129**	2,071
(Decrease) / increase in intercompany		**(9,102)**	5,988
Increase / (decrease) in provisions		**160**	(103)
Tax received		**523**	183
Dividends paid		**(6,000)**	(2,000)
Net cash (used in) / from operating activities		**(6,744)**	4,690
Cash flows from investing activities			
Interest received		**98**	115
Net cash from investing activities		**98**	115
Cash flows from financing activities			
Interest paid		**(3)**	(4)
Net cash from financing activities		**(3)**	(4)
Net (decrease) / increase in cash and cash equivalents		**(6,649)**	4,801
Cash and cash equivalents at 1 January		**38,470**	33,669
Cash and cash equivalents at 31 December	*13*	**31,821**	38,470

The notes on pages 15 to 31 form an integral part of the financial statements.

1 General information

The Company is incorporated and domiciled in the United Kingdom.

2 Accounting policies

2.1 Basis of preparation

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2.2 Measurement convention

The financial statements are prepared on the historical cost basis.

2.3 Adopted IFRS not yet applied

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

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

The following adopted IFRSs (by the European Union) have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Annual Improvements to IFRSs 2012-14 Cycle (mandatory for the year commencing 1 January 2016)
- IFRS 9 'Financial Instruments' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 14 'Regulatory Deferral Accounts' (mandatory for the year commencing on or after 1 January 2016)
- IFRS 11 (amendments) 'Joint Arrangements' (mandatory for the year commencing on or after 1 January 2017)
- IAS16 and IAS 38 (amendments) 'Clarification of Acceptable Methods of Depreciation and Amortisation' (mandatory for the year commencing on or after 1 January 2016)
- IAS 16 and IAS 41 (amendments) 'Agriculture - Bearer Plants' (mandatory for the year commencing on or after 1 January 2016)
- IAS 27 (amendments) 'Equity Method in Separate Financial Statements' (mandatory for the year commencing on or after 1 January 2016)
- IAS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (mandatory for the year commencing on or after 1 January 2016)
- IAS 1 (amendments) 'Presentation of Financial Statements' Disclosure Initiative (mandatory for the year commencing on or after 1 January 2016)
- IFRS 15 'Revenue from Contracts with Customers' (mandatory for the year commencing on or after 1 January 2018), the impact of the standard has not been determined at this stage
- IFRS 16 'Leases' (mandatory for the year commencing on or after 1 January 2019)

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

2.4 Going concern

The Company'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 5. In addition, note 18 to the financial statements includes the Company 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 Company meets its day-to-day working capital requirements through the group treasury management provided by VolkerWessels UK Limited. See note 18(c).

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 Accounting policies (continued)

2.5 Jointly controlled operations

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

2.6 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency (pound sterling) at the foreign exchange rates ruling at the dates of the transactions, unless the transactions have been hedged, and in which case the transactions are translated at the contracted foreign exchange rates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

2.7 Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

2.8 Employee benefits

Pension plans

The Company operates defined contribution pension schemes. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions 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. The assets of the schemes are held separately from those of the Company in independently administered funds.

2.9 Construction contract debtors

Construction contract debtors represent the gross unbilled income for contract work performed to date plus billed work which has not been paid. They are measured at cost plus profit recognised to date (see revenue accounting policy) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

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

2 Accounting policies (continued)

2.10 Impairment excluding inventories and deferred tax assets

The carrying amounts of the Company'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.

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.

The recoverable amount of the Company'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.

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.

2.11 Financial Instruments

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

a. They include no contractual obligations upon the Company 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; 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 Accounting policies (continued)

2.12 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 Company'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.

2.13 Financing income and expenses

Financing expenses comprise interest payable. Financing income comprises interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

2.14 Provisions

A provision is recognised on the balance sheet when the Company 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.

2.15 Taxation

Tax on the profit / (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 Accounting policies (continued)

2.16 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.

2.17 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.

3 Revenue

Revenues are comprised as follows:

	2015	2014
	£000	£000
Construction contract revenues	**84,012**	62,241
Service contract revenues	**2,147**	181
Total revenues	**86,159**	62,422

Revenue on construction contracts and service contracts in 2015 and 2014 was all earned in the UK.

4 Operating profit

Operating profit is stated after charging:

	2015	2014
	£000	£000
Foreign currency gains / (losses)	**-**	-
Operating lease charges		
- land & buildings	**378**	408
- plant and machinery	**666**	487
Auditor's remuneration		
- audit of these financial statements	**47**	42
- other services	**-**	-

5 Staff numbers and costs

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

	2015 No	2014 No
Management & administrative	**73**	68
Operational	**224**	174
	297	242

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	**14,611**	10,612
Social security costs	**1,616**	1,187
Contributions to defined contribution plans	**1,270**	975
	17,497	12,774

6 Directors' remuneration

	2015 £000	2014 £000
Directors' emoluments	**690**	678
Company contributions to money purchase pension plans	**193**	127
Social security costs	**89**	85
	972	890

Three directors (2014: 3) are remunerated through the Company; the remainder are remunerated through VolkerServices Limited, a fellow group undertaking.

The emoluments of the highest paid Director were £378,000 (2014: £331,000) and company pension contributions of £40,000 (2014: £39,000) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to three (2014: 3) Directors under money purchase pension schemes.

7 Financial income

	2015 £000	2014 £000
Interest income on short-term bank deposits	**98**	115
Total financial income	**98**	115

8 Financial expense

	2015 £000	2014 £000
Other interest	**3**	4
Total financial expense	**3**	4

9 Taxation

a) Analysis of the tax recognised in the income statement

	2015 £000	2014 £000
Current tax expense		
UK corporation tax:		
Current year	**195**	25
Adjustments for prior periods	**(16)**	1
Current tax expense	**179**	26
Deferred tax expense (see note 11)		
Origination and reversal of temporary differences	**480**	713
Change in tax rate	**18**	-
Adjustments for prior periods	**(33)**	21
Deferred tax expense	**465**	734
Total tax expense	**644**	760

The adjustments for prior periods have arisen due to a change in the use of tax losses in the wider VolkerWessels group after the VolkerRail Limited financial statements had been signed.

b) Reconciliation of effective tax rate

The total tax charge for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below.

	2015 £000	2014 £000
Profit for the year	**3,225**	2,897
Total tax expense	**644**	760
Profit before tax	**3,869**	3,657
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	**784**	786
Effects of:		
Non-deductible expenses	**26**	5
Effect of changes in tax rates	**18**	-
Effects of R&D expenditure credit	**(135)**	-
Adjustments for prior years	**(49)**	22
Other adjustments	**-**	(53)
Total tax expense	**644**	760

9 Taxation (continued)

c) Factors that may affect future current and total tax charges:

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

10 Investments

The Company has entered into two Jointly Controlled Operations ("JCOs") with different partners for the purpose of undertaking specific contracts. VolkerRail has recognised the assets that it controls and the liabilities that it incurs; the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint ventures. All JCO balance sheets are taken as at 31 December for each year end.

The principal JCOs of the Company are as follows:

Jointly controlled operations

JCO	Principal activities	JCO partner	Address	Ownership % 2015	Ownership % 2014
MPACT	Track Renewals, Maintenance and Civil Works	Laing O'Rourke Infrastructure Limited	1 & 2	**40%**	40%
Stafford Area Improvement Plan (SAIP)	Track Renewals, Re-signalling and Civil Works	Laing O'Rourke Infrastructure Limited / Atkins Limited	1, 2 & 3	**33.33%**	33.33%

1 Eagre House, Unit 1a, J3 Business Park, Car Hill Road, Doncaster, South Yorkshire, DN4 8DE

2 Bridge Place 1 & 2, Anchor Boulevard, Admirals Park, Crossways, Dartford, Kent, DA2 6SN

3 Woodcote Grove, Ashley Road, Epsom, KT18 5BW

11 Deferred tax assets

a) Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets 2015 £000	2014 £000
Property, plant and equipment	**120**	206
Provisions for pension	**31**	39
Provision for long service award	**6**	7
Losses	**-**	370
Deferred tax assets	**157**	622

11 Deferred tax assets (continued)

b) Movement in deferred tax in the year

	1 January 2015 £000	Recognised in income £000	Balance sheet transfers £000	31 December 2015 £000
Property, plant and equipment	206	(86)	-	120
Provisions	46	(9)	-	37
Losses	370	(370)	-	-
	622	**(465)**	**-**	**157**

c) Movement in deferred tax in the prior year

	1 January 2014 £000	Recognised in income £000	Balance sheet transfers £000	31 December 2014 £000
Property, plant and equipment	111	95	-	206
Provisions	42	4	-	46
Losses	1,203	(833)	-	370
R & D Tax credit	51	-	(51)	-
	1,407	**(734)**	**(51)**	**622**

12 Trade and other receivables

	2015 **£000**	2014 £000
Trade receivables	**72**	2,988
Construction contract debtors	**3,621**	2,406
Amounts owed by group undertakings	**3,415**	3,530
Prepayments	**68**	140
	7,176	9,064
Current	**7,176**	9,064
Non-current	**-**	-
	7,176	9,064

At 31 December 2015, aggregated costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £89,746,000 (2014: 43,616,000).

At 31 December 2015, trade receivables include retentions of £50,000 (2014: £278,000) relating to construction contracts in progress.

13 Cash and cash equivalents

	2015 **£000**	2014 £000
Cash and cash equivalents	**31,821**	38,470

14 Trade and other payables

	2015 £000	2014 £000
Trade payables	**17,350**	8,426
Non trade payables and accrued expenses	**4,912**	14,579
Amounts due to customers for contract work	**5,865**	1,216
Amounts due to Group undertakings	**1,172**	10,914
	29,299	35,135
Current	**29,299**	35,135
Non-current	**-**	-
	29,299	35,135

15 Provisions

	Onerous lease provision £000	Other provisions £000	Total £000
Balance at 1 January 2015	32	174	206
Credited to the income statement	-	226	226
Unwinding of discounts	3	-	3
Utilised in the year	(24)	(45)	(69)
Balance at 31 December 2015	**11**	**355**	**366**
Analysis of total provisions at 31 December 2015			
Non-current	-	13	13
Current	11	342	353
	11	**355**	**366**
Analysis of total provisions at 31 December 2014			
Non-current	11	24	35
Current	20	151	171
	31	**175**	**206**

Onerous lease provision

The onerous lease provision has been made in respect of the difference between future operating lease rentals payable by the Company and rents receivable from its tenants.

Other Provisions

Other Provisions include insurance provision and provision for Long Service Award. The provision for long service awards recognises long service awards due to certain group employees. The provision is based on the current profile of the workforce and latest labour turnover rates. Utilisation of the provisions will be dependent upon the settlement of insurance claims, and the work anniversaries and retirement dates of the workforce.

16 Employee benefits

Pension plans

The Company operates a number of pension plans (see note 2.8). The total expense and creditor outstanding relating to these plans was as follows:

	Pension charges		Creditor outstanding	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Friends Life Pension Scheme (defined contribution)	**291**	145	**75**	20
Peoples Pension Scheme (defined contribution)	**8**	7	**3**	4
Prudential Pension Scheme(defined contribution)	**971**	823	**114**	171
	1,270	975	**192**	195

17 Share capital

	Number of shares	Ordinary shares £000
'A' ordinary shares of £1 each	2,000,000	2,000
'B' ordinary shares of £1 each	2,000,000	2,000
At 1 January 2015 and 31 December 2015	**4,000,000**	**4,000**

The 'A' and 'B' ordinary shares rank pari passu but must be issued in equal numbers. 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.

18 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.

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

18 Financial instruments (continued)

a) Fair values of financial instruments (continued)

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

	2015 £000	2014* £000
Trade and other receivables (see note 12)	7,108	8,924
Cash and cash equivalents (see note 13)	31,821	38,470
Total financial assets	38,929	47,394
Trade and other payables (see note 14)	27,808	32,106
Total financial liabilities	27,808	32,106
Total financial instruments	11,121	15,288

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

b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company'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 Company continuously monitors defaults of customers and other counterparties, identified either individually or by Company, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties, and takes out insurance against this risk.

The Company'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 Company'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.

18 Financial instruments (continued)

b) Credit risk (continued)

Exposure to credit risk

The carrying amount of trade and other receivables in financial assets represents the maximum credit exposure which was £7,851,000 at 31 December 2015 (2014: £9,116,000). The maximum exposure to credit risk for trade receivables at the balance sheet date by business segment and type of customer was as follows:

	2015	2014
	£000	£000
Public sector customers	**53**	2,934
Private sector customers	**19**	54
	72	2,988

Credit quality of financial assets and impairment losses

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

	2015		2014	
	Gross	**Impairment**	Gross	Impairment
	£000	**£000**	£000	£000
Not past due	**55**	**-**	2,885	-
Past due (0-30 days)	**-**	**-**	2	-
Past due (31-120 days)	**17**	**-**	-	-
More than 120 days	**-**	**-**	101	-
	72	**-**	2,988	-

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. There were no impairment provisions at 31 December 2015 (2014: £nil).

c) Liquidity risk

Financial risk management

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.

18 Financial instruments (continued)

c) Liquidity risk (continued)

Contractual maturity of financial liabilities

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

	Carrying amount £000	Contractual. cash flows £000	1 year or less £000
2015			
Trade and other payables	27,808	27,808	27,808
2014			
Trade and other payables	32,106	32,106	32,106

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

d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as interest rates will affect the Company's income or the values of its holdings of financial instruments.

Exposure to interest rate risk in the Company is principally on bank and cash deposits, and interest bearing borrowings from its UK parent company. The Company 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 Company's interest bearing financial instruments was as follows:

	2015 £000	2014 £000
Variable rate instruments		
Financial assets (note 13)	**31,821**	38,470

A change of 100 basis points in interest would neither increase nor decrease equity (2014: neither increase nor decrease equity) for the Company. The sensitivity of 100 basis points represents the Directors' assessment of a reasonably possible change, based on historic volatility.

19 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Plant and machinery	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Less than one year	**157**	322	**60**	394
Between one and five years	**28**	169	**35**	388
	185	491	**95**	782

During the year the following amounts were recognised in the income statement in respect of operating leases:

	2015	2014
	£000	£000
Land and buildings	**378**	408
Plant and machinery	**666**	487
	1,044	895

20 Contingencies

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

Provisions have been made based on the Directors' best estimate of the position of known legal claims, investigations and actions at the year end. The Company 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 Company cannot make a sufficiently reliable estimate of the potential obligation or benefit.

The Company is jointly and severally liable for the debts of the unincorporated joint operations (note 10), of which it recognised the assets that it controls and the liabilities that it incurs; the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint ventures.

21 Related parties

Related party transactions

Transactions between the Company and other related parties are noted below.

Compensation of key management

The compensation of key management personnel (i.e. Directors) is as follows:

	2015	2014
	£000	£000
Emoluments	**690**	678
Social security costs	**89**	85
Contributions to money purchase pension plans	**193**	127
	972	890

21 Related parties (continued)

This represents compensation in relation to VolkerRail Specialist Businesses Limited and VolkerRail Limited. It is not considered practical to split the compensation between the two businesses.

Related party transactions with fellow group undertakings

Related party transactions with fellow group undertakings are summarised below:

	Parent undertaking 2015 £000	Fellow subsidiary undertakings 2015 £000	Total £000 2015 £000
Amounts owed by undertaking			
At start of year	-	3,530	3,530
Income	-	15,030	15,030
Receipts	-	(16,033)	(16,033)
Net intercompany loan account movement	268	620	888
At end of year	**268**	**3,147**	**3,415**

	2014 £000	2014 £000	2014 £000
Amounts owed by undertaking			
At start of year	556	2,091	2,647
Income	-	15,953	15,953
Receipts	-	(12,193)	(12,193)
Net intercompany loan account movement	(556)	(2,321)	(2,877)
At end of year	**-**	**3,530**	**3,530**

Net intercompany loan account movement represents the net total of intercompany transactions through the loan account with VolkerRail Specialist Businesses Limited and VolkerRail Group Limited in respect of treasury activities and costs paid by VolkerRail Limited on behalf of VolkerRail Specialist Businesses Limited and VolkerRail Group Limited and subsequently recharged. All other amounts owed by undertakings are derived from trading transactions.

	Parent undertaking 2015 £000	Fellow subsidiary undertakings 2015 £000	Total 2015 £000
Amounts owed to undertakings			
At start of year	(733)	(8,181)	(8,914)
Expenses	-	(13,421)	(13,421)
Repayments	-	14,326	14,326
Net intercompany loan account movement	733	6,104	6,837
At end of year	**-**	**(1,172)**	**(1,172)**

	2014 £000	2014 £000	2014 £000
Amounts owed to undertakings			
At start of year	-	(4,043)	(4,043)
Expenses	-	(9,594)	(9,594)
Repayments	-	9,891	9,891
Net intercompany loan account movement	(733)	(4,435)	(5,168)
At end of year	**(733)**	**(8,181)**	**(8,914)**

21 Related parties (continued)

	Group undertaking 2015 £000
Loans owed to undertaking	
At start of year	(2,000)
Drawdowns	-
At end of year	-

	2014 £000
Loans owed to undertaking	
At start of year	-
Drawdowns	(2,000)
At end of year	**(2,000)**

22 Ultimate parent company and parent undertaking of larger Company of which the Company is a member

The Company is a subsidiary undertaking of VolkerRail Group Limited which is incorporated in the United Kingdom.

The smallest group in which the results of the Company are consolidated is that headed by VolkerRail Group Limited, which is incorporated in the United Kingdom. Copies of its consolidated financial statements may be obtained from its registered office Hertford Road, Hoddesdon, Hertfordshire, EN11 9BX.

The results of the Company are included in the consolidated financial statements of its ultimate parent company Storm Investments B.v, a company incorporated in the Netherlands. Copies of the 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.

23 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 Company and Company's earnings and financial position are as follows:

Revenue recognition

With the exception of our term maintenance contracts, 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.

Deferred tax asset critical judgement

Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Estimates of taxable profits and utilisations of tax loss carry forwards are prepared on the basis of profit and loss forecasts as included within the medium-term business plan and, if necessary, additional forecasts.