
VolkerRail Limited
Annual Report and Financial Statements
Registered number : 3184313
31 December 2014



VolkerRail Limited

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

Auditor
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Registered Office
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Registered Number
3184313

Principal Bankers

Royal Bank of Scotland plc
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London
EC2M 3UR

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London
NW1 6AA

Trading Offices

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DN4 5RA

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DN4 8DE

Dawes Lane
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North Lincolnshire
DN15 6UW

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DN4 5NU

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South Hall Street
Off Ordsall Lane
Salford
M5 4TP

VolkerRail Limited

Strategic Report

for the year ended 31 December 2014

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:

	2014	2013
	£000	£000
Revenue	62,422	83,031
Gross profit	7,072	11,444
Gross profit margin	11.3%	13.8%
Operating profit	3,657	5,713
Operating profit margin	5.9%	6.9%
Net cash	38,470	33,669
Net assets	13,007	12,110
Secured order book	72,006	77,475
Secured and probable order book	346,678	152,075

The Company saw a reduction in Revenues, Margins and Operating Profit in 2014 as result of the reduced scale of the Manchester Metrolink contract, offset by higher revenues and margins in other Major Projects. In the year the Company was awarded a number of significant contracts that are anticipated to lead to growth in revenues and margins once the programme and prices for work packages under those contracts are agreed with our clients. The solid foundation that has now been established, underpinned by a consistently solid secured and probable order book, should ensure that the Company has the ability to grow year on year.

Company Overview

The Company delivers major multidisciplinary engineering projects, including Manchester and Staffordshire Alliance (both jointly controlled operations with strategic alliance partners) and other alliance and large project works 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.

2015 will be a challenge in respect to revenues delivered through the new Network Rail frameworks, as these projects are still being finalised, 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 2015 as the Company secures a number of the emerging opportunities that are presenting themselves.

In 2015 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 2014.

Manchester Metrolink (MPACT M/M3 joint venture)

The Manchester Metrolink project has been highly successful for VolkerRail and almost all of the works are now in maintenance phase. During 2014 we completed the Manchester Airport Line, an extension to the previously completed South Manchester Line. This was delivered to budget and ahead of the programme. The successful completion of this element of the overall programme maintained our strong relationship with the client and our JV partners. At the end of 2014 the Second City Crossing and Deansgate-Castlefield works were signed with the ongoing works progressing well to date.

Stafford Area Improvement Programme

The SAIP Alliance (Stafford Area Improvement Programme) has intensified during the year. 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) was signed towards the end of 2014. This Alliance 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. In addition the REAL Alliance will be designing and constructing the Trans Pennine Electrification works along the Manchester to Leeds, York and Hull railway.

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. We are currently working the NWR Central Team to identify and develop project opportunities for delivery in the near to medium term.

Forward order book

At 31 December 2014 the Company's secured order book stood at £72 million, which is comparable with 2013 when it stood at £77 million.

Contracts secured at 2013 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 phases of the Manchester Metrolink. The secured and probable orderbook has increased from £152m in 2013 to £347m in 2014. This is due to securing the frameworks contracts described above, and for which the workload will crystallise as the opportunities are released.

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.

VolkerRail Limited

Strategic Report

for the year ended 31 December 2014

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.

Financial risk management is discussed in note 18 to the accounts.

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.

VolkerRail Limited Strategic Report for the year ended 31 December 2014

As a signatory we undertake to:

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

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

Corporate Social Responsibility

Socially responsible behaviour is critical to a sustainable 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

26 March 2015

VolkerRail Limited

Company registered number: 3184313

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerRail Limited

Directors' Report

for the year ended 31 December 2014

The Directors present their Directors' Report and financial statements for the year ended 31 December 2014.

Dividends

The Directors recommended the payment of a dividend in respect of the current financial year of £2,000,000 / 50p per share (2013: £nil). A resolution will be considered at the Board Meeting on 26 March 2015 to approve a dividend of £6,000,000.

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 available the management skills 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 £3,336 (2013: £3,975). The Company made no political donations during the year (2013: £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).

VolkerRail Limited
Directors' Report
for the year ended 31 December 2014

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.

By order of the Board



S. J. Copliff
Director

26 March 2015

VolkerRail Limited

Company registered number: 3184313

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerRail Limited
Statement of Directors' Responsibilities in Respect of the Strategic Report,
Directors' Report and the Financial Statements
Year ended 31 December 2014

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

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

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

In preparing these financial statements, the Directors are required to:

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

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of VolkerRail Limited

Year ended 31 December 2014

We have audited the financial statements of VolkerRail Limited for the year ended 31 December 2014 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 2014 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.

Independent Auditor's Report to the Members of VolkerRail Limited
Year ended 31 December 2014

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.



Andrew J Kelly FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

26 March 2015

VolkerRail Limited
Income Statement
for the year ended 31 December 2014

		2014	2013
	<i>Note</i>	£000	£000
Revenue	3	62,422	83,031
Cost of sales		(55,350)	(71,587)
Gross profit		7,072	11,444
Administrative expenses		(3,526)	(5,731)
Operating profit	4	3,546	5,713
Financial income	7	115	134
Financial expense	8	(4)	(8)
Profit before tax		3,657	5,839
Taxation	9	(760)	(1,486)
Profit for the year		2,897	4,353

All results derive from continuing operations.

The notes on pages 16 to 36 form an integral part of the financial statements.

VolkerRail Limited
Statement of Comprehensive Income
for the year ended 31 December 2014

	2014	2013
	£000	£000
Profit for the year	2,897	4,353
Other comprehensive income for the year, net of tax	-	-
	<hr/>	<hr/>
Total comprehensive income for the year	<hr/> 2,897 <hr/>	<hr/> 4,353 <hr/>

The notes on pages 16 to 36 form an integral part of the financial statements.

VolkerRail Limited
Statement of Financial Position
at 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Non current assets			
Deferred tax assets	<i>11</i>	622	1,407
Current assets			
Trade and other receivables	<i>12</i>	9,256	3,320
Corporation tax receivable		192	134
Cash and cash equivalents	<i>13</i>	38,470	33,669
		47,726	36,989
Total assets		48,348	38,396
Equity			
Share capital	<i>17</i>	4,000	4,000
Capital contribution reserve		1,400	1,400
Retained earnings		7,607	6,710
Total equity		13,007	12,110
Non-current liabilities			
Provisions	<i>15</i>	35	22
Current liabilities			
Trade and other payables	<i>14</i>	35,135	25,977
Provisions	<i>15</i>	171	287
		35,306	26,264
Total liabilities		35,341	26,286
Total equity and liabilities		48,348	38,396

These financial statements were approved by the Board of Directors on 26 March 2015 and were signed on its behalf by:

SJ Cocliff
Director



Company registered number: 3184313

The notes on pages 16 to 36 form an integral part of the financial statements.

VolkerRail Limited
Statement of Changes in Equity
at 31 December 2014

	Share capital	Capital contribution reserve	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 1 January 2013	4,000	1,400	2,357	7,757
Comprehensive income				
Profit for the year	-	-	4,353	4,353
Balance at 31 December 2013	<u>4,000</u>	<u>1,400</u>	<u>6,710</u>	<u>12,110</u>
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	<u>4,000</u>	<u>1,400</u>	<u>7,607</u>	<u>13,007</u>

The notes on pages 16 to 36 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 2014

		2014	2013
	<i>Note</i>	£000	£000
Cash flows from operating activities			
Profit for the year		2,897	4,353
Adjustments for:			
Financial income		(115)	(134)
Financial expense		4	8
Taxation		760	1,486
(Increase) / decrease in trade and other receivables		(4,995)	3,966
Increase / (decrease) in trade and other payables		2,071	(20,875)
Increase in intercompany		5,988	2,147
(Decrease)/ increase in provisions		(103)	129
Tax received/(paid)		183	(15)
Dividends paid		(2,000)	-
Net cash from / (used in) operating activities		4,690	(8,935)
Cash flows from investing activities			
Interest received		115	134
Net cash from investing activities		115	134
Cash flows from financing activities			
Interest paid		(4)	(8)
Net cash from financing activities		(4)	(8)
Net increase / (decrease) in cash and cash equivalents		4,801	(8,809)
Cash and cash equivalents at 1 January		33,669	42,478
Cash and cash equivalents at 31 December	13	38,470	33,669

The notes on pages 16 to 36 form an integral part of the financial statements.

VolkerRail Limited

Notes to the Financial Statements

for the year ended 31 December 2014

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

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: 2011-13 Cycle (mandatory for year commencing on or after 1 January 2015).
- Annual Improvements to IFRSs: 2010-12 Cycle (mandatory for year commencing on or after 1 February 2015).
- IAS 19 (amendments) '*Defined benefit plans: Employee contributions*' (mandatory for year commencing on or after 1 February 2015).
- IFRS 9 '*Financial Instruments*' (mandatory for the year commencing on or after 1 January 2018).
- IFRS 14 '*Regulatory Deferral Accounts*' (mandatory for the year commencing on or after 1 January 2016).
- IFRS 11 (amendments) '*Joint Arrangements*' (mandatory for the year commencing on or after 1 January 2017).
- IAS 16 and IAS 38 (amendments) '*Clarification of Acceptable Methods of Depreciation and Amortisation*' (mandatory for the year commencing on or after 1 January 2016).
- IAS 16 and IAS 41 (amendments) '*Agriculture - Bearer Plants*' (mandatory for the year commencing on or after 1 January 2016).
- IAS 27 (amendments) '*Equity Method in Separate Financial Statements*' (mandatory for the year commencing on or after 1 January 2016).
- IAS 10 and IAS 28 (amendments) '*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*' (mandatory for the year commencing on or after 1 January 2016).

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. **Error! Reference source not found.** In addition, note 18 **Error! Reference source not found.** 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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

2 Accounting policies (continued)

2.5 Jointly controlled operations

The Group 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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transaction.

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.



VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

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.

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

The recoverable amount of the 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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

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:

	2014	2013
	£000	£000
Construction contract revenues	62,241	82,930
Service contract revenues	181	101
	<hr/>	<hr/>
Total revenues	62,422	83,031
	<hr/>	<hr/>

Revenue on construction contracts and service contracts in 2014 and 2013 was all earned in the UK.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

4 Operating profit

Operating profit is stated after charging:

	2014	2013
	£000	£000
Foreign currency gains / (losses)	-	3
<i>Operating lease charges</i>		
- land & buildings	408	374
- plant and machinery	487	504
<i>Auditor's remuneration</i>		
- audit of these financial statements	42	57
- other services	-	1
	<u> </u>	<u> </u>

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:

	2014	2013
	No	No
Management & administrative	68	61
Operational	174	134
	<u> </u>	<u> </u>
	242	195
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	10,612	9,528
Social security costs	1,187	1,077
Contributions to defined contribution plans	975	856
	<u> </u>	<u> </u>
	12,774	11,461
	<u> </u>	<u> </u>

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

6 Directors' remuneration

	2014	2013
	£000	£000
Directors' emoluments	678	658
Company contributions to money purchase pension plans	127	150
Social security costs	85	81
	<u>890</u>	<u>889</u>

Three directors (2013: 3) are remunerated through the Company; the remainder are remunerated through other VolkerWessels companies.

The emoluments of the highest paid Director were £331,000 (2013: £309,000) and company pension contributions of £39,000 (2013: £68,000) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to three (2013: 3) Directors under money purchase pension schemes.

7 Financial income

	2014	2013
	£000	£000
Interest income on short-term bank deposits	115	112
Other interest	-	22
	<u>115</u>	<u>134</u>

8 Financial expense

	2014	2013
	£000	£000
Other interest	4	8
	<u>4</u>	<u>8</u>

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

9 Taxation

a) Analysis of the tax recognised in the income statement

	2014	2013
	£000	£000
<i>Current tax expense</i>		
UK corporation tax:		
Current year	25	30
Adjustments for prior periods	1	33
	<hr/>	<hr/>
Current tax expense	26	63
	<hr/>	<hr/>
<i>Deferred tax expense (see note 11)</i>		
Origination and reversal of temporary differences	713	1,282
Change in tax rate	-	190
Adjustments for prior periods	21	(49)
	<hr/>	<hr/>
Deferred tax expense	734	1,423
	<hr/>	<hr/>
Total tax expense	760	1,486
	<hr/>	<hr/>

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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

9 Taxation (continued)

b) Reconciliation of effective tax rate

The total tax charge for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below.

	2014	2013
	£000	£000
Profit for the year	2,897	4,353
Total tax expense	760	1,486
	<hr/>	<hr/>
Profit before tax	3,657	5,839
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 21.5% (2013: 23.25%)	786	1,357
<i>Effects of:</i>		
Non-deductible expenses	5	13
Effect of changes in tax rates	-	190
Effects of R&D tax concession	-	(58)
Adjustments for prior years	22	(16)
Other adjustments	(53)	-
	<hr/>	<hr/>
Total tax expense	760	1,486
	<hr/>	<hr/>

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

Reductions in the UK Corporation Tax rate to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2014 has been calculated based on the rate of 20%.

10 Investments

The Company has entered into a number of 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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

10 Investments (continued)

The principal JCOs of the Company are as follows:

Jointly controlled operations

JCO	Principal activities	JCO partner	Address	Ownership %	
				2014	2013
MPACT (MM3)	Track Maintenance and Renewals	Laing O'Rourke Infrastructure Limited	1 & 2	40%	40%
Stafford Area Improvement Plan (SAIP)	Track Maintenance and Renewals	Laing O'Rourke Infrastructure Limited / Atkins Limited	1, 2 & 3	33.33%	33.33%
1 Carolina Court Lakeside Doncaster South Yorkshire DN4 5RA	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	
	2014	2013
	£000	£000
Property, plant and equipment	206	111
Provisions for pension	39	39
Provision for long service award	7	3
Losses	370	1,203
R & D Tax credit	-	51
Deferred tax assets	622	1,407

At 31 December 2014, the Company had a deferred tax asset of £370,000 (2013: £1,203,000) in relation to losses.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

11 Deferred tax assets (continued)

b) Movement in deferred tax in the year

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

c) Movement in deferred tax in the prior year

	1 January 2013	Recognised in income	Balance sheet transfers	31 December 2013
	£000	£000	£000	£000
Property, plant and equipment	147	(36)	-	111
Provisions	40	2	-	42
Losses	2,592	(1,389)	-	1,203
R & D Tax credit	-	-	51	51
	<u>2,779</u>	<u>(1,423)</u>	<u>51</u>	<u>1,407</u>

12 Trade and other receivables

	2014	2013
	£000	£000
Trade receivables	2,988	331
Construction contract debtors	2,406	202
Amounts owed by group undertakings	3,530	2,647
Prepayments	140	6
	<u>9,064</u>	<u>3,186</u>

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

12 Trade and other receivables (continued)

Current	9,256	3,320
Non-current	-	-
	<u>9,256</u>	<u>3,320</u>

At 31 December 2014, aggregated costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £43,616,000 (2013: 38,740,000).

At 31 December 2014, trade receivables include retentions of £278,000 (2013: £314,000) relating to construction contracts in progress.

13 Cash and cash equivalents

	2014	2013
	£000	£000
Cash and cash equivalents	<u>38,470</u>	<u>33,669</u>

14 Trade and other payables

	2014	2013
	£000	£000
Trade payables	8,426	11,253
Non trade payables and accrued expenses	14,579	8,607
Amounts due to customers for contract work	1,216	2,074
Amounts due to Group undertakings	10,914	4,043
	<u>35,135</u>	<u>25,977</u>
Current	35,135	25,977
Non-current	-	-
	<u>35,135</u>	<u>25,977</u>

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

15 Provisions

	Onerous lease provision £000	Other provisions £000	Total £000
Balance at 1 January 2014	50	259	309
Credited to the income statement	-	(72)	(72)
Unwinding of discounts	4	-	4
Utilised in the year	(22)	(13)	(35)
	<u>32</u>	<u>174</u>	<u>206</u>
Balance at 31 December 2014			
Analysis of total provisions at 31 December 2014			
Non-current	11	24	35
Current	20	151	171
	<u>31</u>	<u>175</u>	<u>206</u>
Analysis of total provisions at 31 December 2013			
Non-current	19	3	22
Current	31	256	287
	<u>50</u>	<u>259</u>	<u>309</u>

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 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.

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	
	2014	2013	2014	2013
	£000	£000	£000	£000
Prudential Pension Schemes (defined contribution)	975	856	195	229

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

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 2014 and 31 December 2014	<u>4,000,000</u>	<u>4,000</u>

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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

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:

	2014	2013
	£000	£000
Trade and other receivables (see note 12)	8,924	3,314
Cash and cash equivalents (see note 13)	38,470	33,669
Total financial assets	47,394	36,983
Trade and other payables (see note 14)	35,135	25,977
Total financial liabilities	35,135	25,977
Total financial instruments	12,259	11,006

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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

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 £9,116,000 at 31 December 2014 (2013: £3,314,000). The maximum exposure to credit risk for trade receivables at the balance sheet date by business segment and type of customer was as follows:

	2014	2013
	£000	£000
Public sector customers	2,934	295
Private sector customers	54	36
	<u>2,988</u>	<u>331</u>

Credit quality of financial assets and impairment losses

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

	2014		2013	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	2,885	-	12	-
Past due (0-30 days)	2	-	-	-
Past due (31-120 days)	-	-	37	-
More than 120 days	101	-	282	-
	<u>2,988</u>	<u>-</u>	<u>331</u>	<u>-</u>

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 2014 (2013: £nil).

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

18 Financial instruments (continued)

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.

VolkerWessels UK Limited has access to £21m of committed revolving credit facilities and £10m of uncommitted overdraft facilities, which are made available to the Company. VolkerWessels UK Limited did not draw down on the committed revolving credit facilities during the year.

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
2014			
Trade and other payables	35,135	35,135	35,135
2013			
Trade and other payables	25,977	25,977	25,977

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:

	2014 £000	2013 £000
<i>Variable rate instruments</i>		
Financial assets (note 13)	38,470	33,669

A change of 100 basis points in interest would neither increase nor decrease equity (2013: neither increase nor decrease equity) for the Company.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

19 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Plant and machinery	
	2014	2013	2014	2013
	£000	£000	£000	£000
Less than one year	322	303	394	429
Between one and five years	169	381	388	538
	<u>491</u>	<u>684</u>	<u>782</u>	<u>967</u>

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

	£000	£000
Land and buildings	408	374
Plant and machinery	<u>487</u>	<u>504</u>
	<u>895</u>	<u>878</u>

20 Contingencies

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

The Company is party to certain legal proceedings arising in the normal course of business. Provisions have been made based on the Directors' best estimate of the position of known legal claims, investigations and actions at the year end. The 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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

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:

	2014	2013
	£000	£000
Emoluments	678	658
Social security costs	85	81
Contributions to money purchase pension plans	127	150
	<hr/>	<hr/>
	890	889
	<hr/>	<hr/>

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	Fellow subsidiary undertakings	Total
	£000	£000	£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)
	<hr/>	<hr/>	<hr/>
At end of year	-	3,530	3,530
	<hr/>	<hr/>	<hr/>

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.

VolkerRail Limited
Notes to the Financial Statements
for the year ended 31 December 2014

21 Related parties (continued)

	Parent undertaking £000	Fellow subsidiary undertakings £000	Total £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)
	<u>(733)</u>	<u>(8,181)</u>	<u>(8,914)</u>
At end of year	(733)	(8,181)	(8,914)
			Group undertaking £000
Loans owed to undertaking			-
At start of year			-
Drawdowns			(2,000)
			<u>(2,000)</u>
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 both Royal Volker Wessels Stevin N.V. and its ultimate parent company Storm Investments B.V. These companies are incorporated in the Netherlands. Copies of the published consolidated financial statements may be obtained from its Amersfoort office: Podium 9, 3826 PA Amersfoort, P.O. Box 2767, 3800 GJ Amersfoort, The Netherlands.

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.

23 Accounting estimates and judgements (continued)

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.