2013
INTEGRATED ANNUAL REPORT

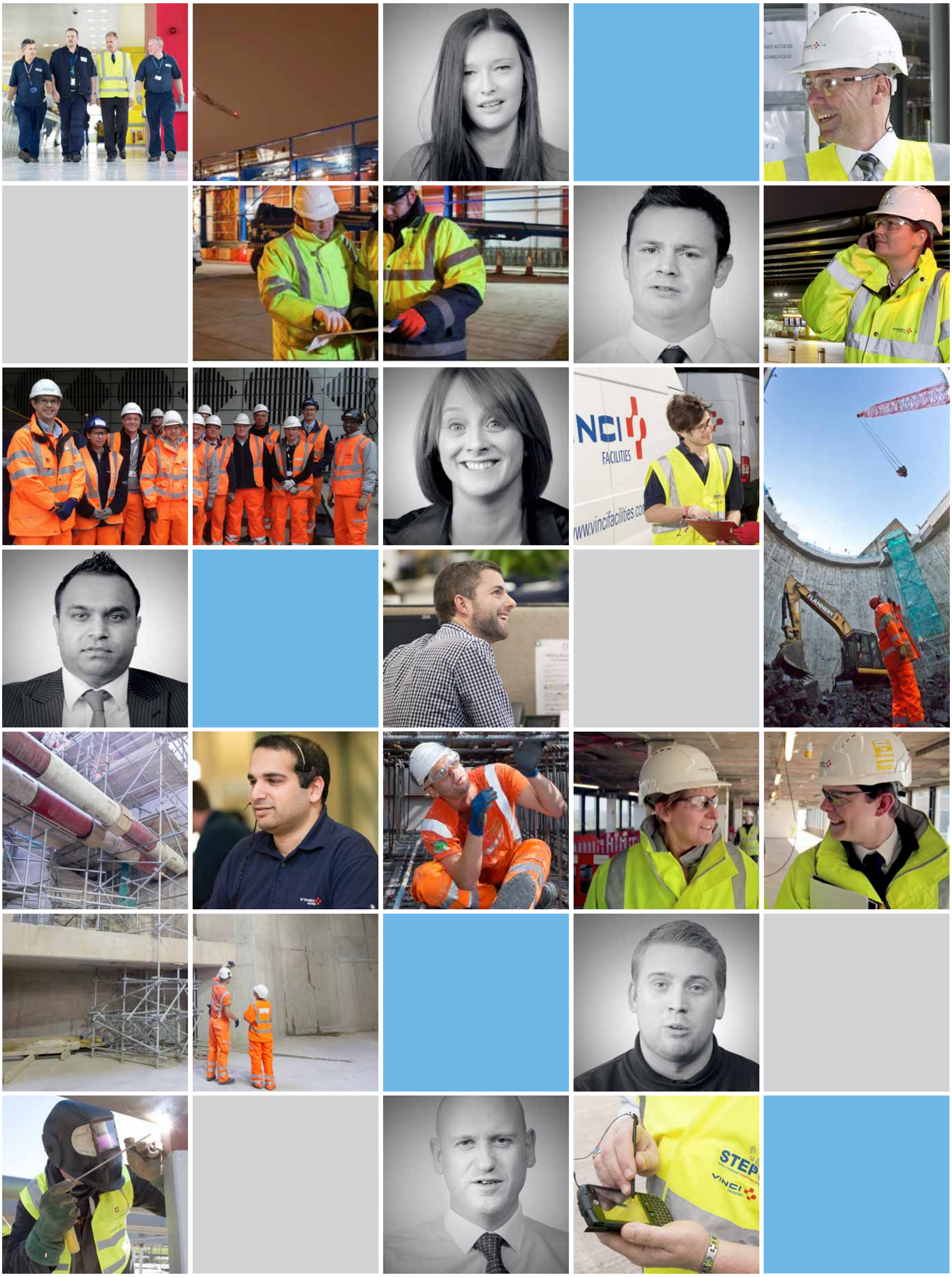
VINCI CONSTRUCTION | UK

Contents

VINCI CONSTRUCTION UK LIMITED
INTEGRATED ANNUAL REPORT
FOR THE YEAR ENDED
31st DECEMBER 2013

DIRECTORS	SECRETARY	REGISTERED OFFICE
J O M Stanion (Chairman) C C Brennan A M Comba A K Raikes A M Ridley-Barker G Stanley P Tuplin	A M Comba	Astral House Imperial Way Watford Hertfordshire WD24 4WW

REGISTERED NUMBER	AUDITORS	BANKERS
2295904	KPMG LLP Altius House One North Fourth Street Central Milton Keynes MK9 1NE	National Westminster Bank Plc P O Box 2DG 208 Piccadilly London W1A 2DG


FACILITIES
STEP

This report demonstrates the links between our strategy, governance and operations and the social, environmental and economic context in which we operate.

Welcome to VINCI Construction UK's 2013 Annual Report which combines both financial and non-financial information. This approach reflects our commitment to invest in our people, be part of the communities in which we work and, of course, add value for our customers.

We have entered 2014 with a strong order book and a number of exciting opportunities to secure further work and explore emerging sectors.

Earlier this year, Taylor Woodrow set up a divisional highways sector to pool our vast knowledge and expertise in preparation for the investment and resulting growth in the highways sector during the next parliament.

The value of investing in infrastructure is exemplified by our 5.6km Bexhill-Hastings link road project. The creation of the road will not only relieve congestion but will act as an enabler for local development opportunities to be granted planning, thus benefiting the surrounding community by bringing the possibility of economic growth.

Subject to planning, VINCI Construction UK will begin construction work at new Covent Garden Market in 2015, to form the heart of the 56 acre Nine Elms regeneration scheme.

We have started work on the Swansea Bay University Campus project. This is one of the largest knowledge economy projects in the UK and the fifth largest university development in Europe. The sheer scale of the programme is made increasingly complex by the site's exposed coastal location and its close proximity to a Site of Special Scientific Interest.

In line with our long and short-cycle business model, VINCI Facilities continues to provide longer term business relationships and opportunities, notably in the sectors of retail, defence, health, commercial and local government.

Even though there are positive signs that the construction industry has finally reached the end of the recession, there will be challenges ahead and risks that will need to be managed. Our objective this year is therefore to improve the quality of what we do throughout our operations.

We will work more closely with our supply chain to foster a collaborative environment that ensures high-quality delivery of projects, on time and on budget.

Key to our success, of course, will be our people. We will continue to invest in our teams, particularly those who deliver the technically challenging projects that we are known for and proud of. Our internal campaigns and initiatives will help deliver this commitment. These are underpinned by our values to guide appropriate behaviours and good decision making.

Health and Safety will continue to be a key performance indicator as we strive to improve our already excellent safety record. By providing a sound rationale for our Health and Safety policies and actions, and not restricting ourselves to ticking the boxes, we will continue to push industry benchmarks.

We have considerable faith that by following a strategy which combines a robust commercial approach with taking responsibility for the development of our people and the future of our communities, we will create a sustainable business model that differentiates us in the market place and adds value for all our stakeholders.

Andrew Ridley-Barker,

Managing Director, VINCI Construction UK

GROUP PROFILE

BUILDING

VINCI Construction UK's Building division comprises Building – Regional and Building – London & Home Counties, each with a well-established presence in its respective regions. Within Building is a Special Projects business unit which manages the procurement of large, complex projects. The Building division is active in all sectors, particularly industrial, health, education, retail and commercial. Our Air business also forms part of the Building division and offers an independent, specialised and experienced airport team.

VINCI FACILITIES

Through VINCI Facilities, we provide facilities management, mechanical, electrical and building maintenance solutions to both the public and private sectors across the UK and Ireland. VINCI Facilities operates in a range of sectors which include; health, local and central government, defence, social housing, retail and commercial offices. These complement the market position of the wider VINCI Facilities operations in continental Europe. The services are delivered through five customer focussed business units; Facilities Management and Technical Services which operate on a national basis and three regionally focussed Building Solutions businesses.

TAYLOR WOODROW

Taylor Woodrow is the civil engineering division of VINCI Construction UK. A national civil engineering contractor with a recognised brand and reputation, Taylor Woodrow is known for excellence in undertaking complex major projects. Its primary sectors of activity are: transportation – rail, depots, highways, bridges, light rail including trams, and energy – energy from waste, renewables, and nuclear decommissioning.

VINCI TECHNOLOGY CENTRE UK

The Technology Centre offers specialist consultancy and testing services in the areas of compliance, environment, materials and structures. Its main markets are nuclear, construction products/product testing and environmental.

It has an unrivalled heritage of over 50 years' research, development and innovation together with extensive facilities at its Leighton Buzzard campus that make it unique in the UK construction industry. It is a key differentiator for VINCI Construction UK and is progressing with an enhanced remit of adding value to the business by helping to improve productivity and efficiency.

TAYLOR WOODROW INTERNATIONAL

VINCI Construction UK's international activity is located in the Middle East. Drawing on the expertise and resources of one of the UK's most well-known and trusted civil engineering brands, Taylor Woodrow International's operations are based in Abu Dhabi, with local offices in Oman and Saudi Arabia.

VINCI INVESTMENTS

VINCI Investments manages the company's bids for PFI, PPP and other major projects, mainly in the UK. Working with other group companies, it identifies suitable major infrastructure opportunities using its specialist knowledge and experience of the lending markets and leveraging the benefits of group strength to arrange efficient project financing. VINCI Investments commits funds to finance projects and provides management services to PFI project companies over the entire life of the project, typically for periods in excess of 25 years.

HEALTH, SAFETY & ENVIRONMENT

The group recognises the importance of the health and safety of all those employed in its offices and sites and operates policies to ensure that the risks associated with accidents and health are properly managed and controlled.

BUSINESS MODEL

VINCI Construction UK has a robust Business Model based on short and long-term cycles.

Covering the conception, funding, design, build, maintenance and eventual decommissioning of projects, we operate right across the value chain to meet a range of customer requirements.

Through the strong regional and national presence of our building and civil engineering operations, we pursue short-cycle business opportunities.

These jobs often involve complex project management and are supported by our Technology Centre, or by other VINCI companies providing high-end technical solutions. Meanwhile, through our PFI projects and the work of VINCI Facilities (our facilities operation), where contracts can sometimes extend over 30 years, we take a longer-term operational approach.

The balancing of short and long-term projects helps to ensure that we have a strong and stable foundation for growth, making us more resilient to the vagaries of the market. Operating across the entire service spectrum, we aim to ensure we have sufficient amounts of both long and short-cycle work in place, and often try to leverage one to the other. For example, where possible we look to extend short-cycle construction contracts into long-term facilities management projects.

This approach is combined with a decentralised divisional structure. This independence drives accountability and autonomy and maximises entrepreneurial activity. Together, the decentralised and long/short-cycle model forms the backbone of our company ethos. They are essential to enabling VINCI Construction UK to create value, minimise risk and achieve sustainable business success.

SUPPLY CHAIN MANAGEMENT

We pride ourselves on a strong partnership culture. In order to consistently deliver an excellent level of service and outstanding quality projects, we need to work effectively alongside our supply chain. Suppliers who feel integral to our business are most capable of helping us deliver programmes on time and on budget.

In order to streamline our delivery, we appointed a national supply chain manager within the Building division and published new subcontractor relations guidelines. We also adopted a more targeted supply chain strategy which allows both us and our suppliers to make acceptable levels of profit.

This approach will enable us to refine supply chain processes and foster a collaborative environment that ensures high-quality delivery of projects of varying size and complexity.

INNOVATION

An innovative approach to adding value is vital to continued success in the current business environment. It remains vitally important that, through innovation, we maintain our drive to improve the efficiency of everything we do in order to maintain the highest standards and value for money that our clients rightly demand.

We strive to provide innovative solutions to everyday problems and deliver projects ranging from traditional construction to the extremely complex. The UK VINCI Innovation Awards recognise our employees for the part they play in delivering these projects. Last year, VINCI PLC received a record 136 entries – three times more than the previous competition. That initial success was continued at the global award ceremony in Paris, where a sustainable facilities management initiative won VINCI Construction UK’s first ever prize in the competition.

LEAN PROGRAMME

In order to be more efficient, deliver quality products and remain competitive, waste must be eliminated from our operations wherever an opportunity exists. Our Lean programme is an integrated system of principles, operating practices and tools that guide us in the pursuit of perfection.

Having already become well embedded within VINCI Facilities, the same principles will continue to be introduced to the wider business over the coming year.

DIVISIONAL PERFORMANCE AND OUTLOOK

The main thrust of our business plan is to increase efficiency and productivity across VINCI Construction UK.

BUILDING

In light of the difficult trading environment, with increased competition vying for a reduced available workload, we continued to reduce our overheads and concentrate on quality initiatives.

In the North, the majority of work has historically been in the public non-housing sector. As spend in this sector declined over previous years, the regions aligned themselves more closely with the private sector, with significant wins in student accommodation. The North West however, continues to prosper in the health sector given its particular expertise gained over the previous 10 years.

The Midlands grew significantly throughout the year, on the back of wins in the commercial and industrial sectors, particularly with Jaguar Land Rover. We continue to concentrate on public sector health opportunities, repeat business and clients in the industrial sector.

Prospects in the South are positive with turnover for the region expected to increase in 2014. The market in London is forecast for growth as private residential apartment schemes appear at an increasing rate and commercial, health and mixed use schemes are similarly strong. We have also seen an upturn of activity at Heathrow and Gatwick airports. Major projects completed in 2013 included a new visitor centre at Stonehenge, a leisure and retail development at Streatham Hub in London, and a headquarters for dance company Rambert on London's South Bank.

The Stowmarket office relocated to the Cambridge area in January 2014 to become geographically more central to the region and to be closer to key clients and consultants.

CIVIL ENGINEERING

As a national civil engineering contractor, Taylor Woodrow has a clear focus on major projects rather than relying on short-term or regionally-based workflows.

In the energy market, we pursued energy-from-waste projects where there lies an opportunity for collaboration with other group companies and clients. Working with VINCI Environnement, we started construction of the Cornwall Energy Recovery Centre. The joint venture is also preferred bidder on contracts in Hertfordshire and North Yorkshire, where it is hoped that work will start in 2014, subject to planning consent.

The VNS joint venture, which includes Nuvia, Entrepose, VINCI Construction Grands Projets and Taylor Woodrow worked in partnership to bid for the final phases of the Silos Direct Encapsulation Plant project at Sellafield. Our other nuclear decommissioning work includes the design and construction of a structural steel 'weather envelope' over the reactor buildings at Bradwell Nuclear Power Station in Essex.

In rail, we expanded our involvement in the Crossrail programme. A £98m contract was secured with Network Rail to modify stations on the western line between Paddington and Maidenhead and we continue to progress contracts at Liverpool Street Station, Connaught Tunnel and Royal Victoria Dock Portal. In 2014, we will begin work as the main construction partner to Bombardier's £1bn Crossrail contract, providing a depot at Old Oak Common for rolling stock when the service is expected to open in 2018.

Phase one of the Croxley Rail Link in Watford – Hertfordshire County Council's largest ever infrastructure project – has commenced.

Our rail projects in Nottingham, including the city's tram network and central station, are expected to complete in 2014. Since 31st December 2013 there have been extreme weather events affecting the progress of the Nottingham City tram contract. These events could not have been foreseen at 31st December 2013 and have given rise to delays and additional costs being incurred in 2014. The group will seek to recover these delays and costs but the final outcome remains uncertain at this time.

A future major opportunity lies in the Balfour Beatty/VINCI alliance formed to pursue opportunities associated with the High Speed 2 project.

FACILITIES

Despite difficult conditions, the facilities management and maintenance market continues to mature, with operations focussed on a number of core sectors; retail and commercial office space in the private sector and health, defence, social housing, local and central government in the public sector. These sectors provide a balanced portfolio for our business.

The retail sector continues to be depressed in the current market but we have successfully secured new contracts with existing and new clients including TKMaxx, Dixons Retail, and Cancer Research UK.

In the commercial sector, we have expanded our position in London with our contracts for Transport for London. We extended our facilities management contract with Welsh Water for a further 3 years. We continue our long-standing relationship with BT, and secured a further £14m contract for the remodelling of a number of their corporate facilities.

In the defence sector, we are providing a range of construction and maintenance services to USAF in the UK and we have continued working with Babcock on the Eastern Regional Prime contract for the MoD estate.

The local government sector remains an area of potential growth. We secured a framework contract with Cardiff Council and strengthened our central government references by extending contracts with the Royal Parks and the Canals and Rivers Trust.

In the health sector, our portfolio has remained unchanged in 2013 although we are seeking new opportunities to expand in this sector.

We strengthened our investment in social housing projects. Notably we were successful in securing a place on the framework for Peabody.

The outlook for facilities management and maintenance remains difficult in the short-term, as both our public and private sector clients face significant budget challenges. We anticipate that as the economic situation improves, clients will need to increase expenditure to address the backlog of maintenance that has built up during the recession.

TECHNOLOGY CENTRE

In response to the introduction of the EU Construction Products Regulations, an independent audit by the United Kingdom Accreditation Service approved the Technology Centre's transfer to a new legal entity named VINCI Technology Centre UK Ltd. These regulations place enhanced independence requirements on organisations acting as notified bodies when undertaking testing to support CE marking (to affirm that products conform with European standards for safety, public health and consumer protection). It is expected that VINCI Technology Centre UK will be one of a reduced number of organisations able to meet these requirements.

In 2013, the Technology Centre's volume reduced but remained above 2011 level. The reduction was in the nuclear and construction mock ups whilst volume within VINCI Construction UK increased. Work across the majority of its markets continued to be tight, reflecting the constrained economic conditions.

DIVISIONAL PERFORMANCE AND OUTLOOK (CONTINUED)

INTERNATIONAL

During 2013, we progressed construction work on two design and build contracts for the Saudi Arabian National Water Company in Jeddah. Executed in joint venture with locally-based Al Muhaidib Contracting, the contracts have a combined value of £110m.

The Briman Reservoirs project is 40% complete and the Al Khumra Lifting Station project is 80% complete. In November the client awarded a major variation for the provision of an additional 500,000m^3 of water storage at Briman with a value of circa £33m. The eleven post tensioned concrete reservoirs we are constructing in collaboration with Freyssinet, will provide in total 2,000,000m^3 of potable water storage and it is believed to be one of the largest water storage facilities of its kind ever constructed.

We secured and completed £19m worth of contracts for the construction of lighthouses and digital GPS stations along the Oman coastline, and a bus gate terminal at Abu Dhabi International Airport.

In Saudi Arabia, we secured a fee-based contract to provide management services for Al Bawani Construction as part of the Typhoon training facility project on behalf of BAE systems at Taif Airbase.

Building on our initial contract awards, the Middle East team has grown to 50 employees and continues to pursue small to medium sized projects for selected (primarily governmental) clients in order to maintain controlled growth in the region and generate successful, sustainable business units in the long term. We currently have £42m of secured orders, comprising 65% of our budget for 2014.

VINCI INVESTMENTS

Our investment business has continued to develop proposals for the redevelopment of New Covent Garden Market, for which VINCI Construction UK is preferred bidder.

In December, we divested our remaining minority stakes in Medway police station and school projects in Derby, Newport and Sheffield to Infrared Capital Partners Limited (IRCP). In a related transaction, we sold minority holdings in Swindon police station and Dorset schools to the VINCI Pension Fund and managed the purchase of the remaining majority shareholdings in those projects from IRCP.

IRCP's 50% shareholding in the Doncaster schools project was acquired by the VINCI Pension Fund in 2012 with the remaining 50% acquired by the Fund in March 2013. Consequently, the VINCI Pension Fund now owns the entire share capital of five PFI projects, all of which we continue to manage.

VINCI Investments is also involved in the Priority Schools programme and looks forward to increased levels of PFI/PPP activity in support of the government's plan for economic growth announced in the UK Infrastructure Plan.

We hold investments in PFI projects for Nottingham light rail, Halton and Warrington schools and Project MoDEL; a rationalisation of armed forces accommodation in London. During 2013, mezzanine finance was provided for Battersea Place, a retirement village development contracted to VINCI Construction UK.


STONEHENGE
VINCI

INTERNAL OPERATIONS

We retained our Investors in People accreditation in 2013, increasing coverage to 95% of the business.

PEOPLE

Ensuring that all employees are well motivated and have clear roles and responsibilities is critical to our success and development. This need shaped our approach to people policies and practices in 2013, and will continue to be a key theme throughout 2014.

Each year we conduct a group-wide employee survey which provides management with feedback on a range of issues and helps inform our people strategy. In 2013, the Team Survey saw our engagement score reduced slightly from 80% to 75%; difficult trading conditions and business change are thought to be responsible for the shift. Employee engagement is an area we will continue to focus on in 2014.

We retained our Investors in People accreditation in 2013, increasing coverage to 95% of the business. An Investors in Diversity audit resulted in the retention of VINCI Construction UK's accreditation until February 2015. We have also taken part in the wider group's work on promoting inclusion and diversity as well as supporting client initiatives, a collaborative project with Crossrail being of particular note.

Recognising the under-representation of women in our industry and the benefits a diverse workforce creates for our business, we have worked hard to raise the profile of Women in Construction through careers fairs, interview experience days and site visits at schools and universities around the UK.

Focussing on excellence and life-long learning, our Academy is a competency based approach to integrated learning and development. Our framework combines the best of what we do with new initiatives, enabling our people to maximise their potential and increase our competitive advantage. The Academy's operations grew in 2013, including over 15,000 instances of development undertaken through the e-learning platform. Our leadership development programme, Empower, has been widely expanded throughout the year. Ninety-seven managers have now completed the programme, and a further 151 are mid-way through their studies. Within teams where managers have participated in Empower, we have seen significantly improved levels of engagement.

We have also focussed on learning and development schemes for young people. We welcomed 22 new graduates to the group in November and reinforced our commitments to apprenticeships in both trade, commercial and engineering disciplines. Over the next year we will reintroduce our trainee construction manager programme with the aim of providing a greater number of formalised, structured training programmes for young people.

Twenty-two young employees visited St James' Palace to receive The Duke of Edinburgh's Business Gold Award. A further group has since embarked on their journey with the programme.

HEALTH, SAFETY AND ENVIRONMENT

In 2013, our three-day accident frequency rate increased marginally from 0.23 to 0.25. We have, however, made a number of improvements to our health and safety management systems and achieved some notable successes. These include:

- Meeting our target for HSE scorecard targets in relation to improvement action close-out and incident reporting.
- The delivery of the Footprint HSE intranet reporting platform.
- Simplification of KPI reporting for HSE.
- Take a Break for Safety stand-down sessions for all employees in January and September to re-focus the business on health and safety after holiday periods.
- Introduction of a company-wide risk management approach, and driver safety arrangements for all those who drive on company business.
- Launch of a supply chain policy to reduce risks to cyclists and other vulnerable road users from commercial vehicle movements supporting our projects.
- Carrying out over 500 HSE inspections on our sites and contracts.

ENVIRONMENTAL PERFORMANCE

The group recognises the importance of minimising the impact of our activities on the environment and is proactively managing this.

In 2013 we designed and implemented a new environmental reporting system known as Footprint. The system has automated data transfer and therefore streamlines the reporting process. We have also begun working with key suppliers to facilitate data sharing through the latest software and technological developments.

Our Carbon Reduction Commitment Energy Efficiency Scheme submission was successfully made and included a significant reduction in tax liability largely due to the simplification of the scheme from 29 fuel types to just two – electricity and gas. Furthermore, advancements in our data capture process will be used to target energy consumption across VINCI PLC operations in 2014 and beyond to deliver notable overhead cost reductions in relation to electricity, gas, red diesel, commercial fuel and business mileage.

Throughout 2013, focus has been given to sustainable procurement practices across the group with the establishment of a mandatory framework agreement with European Metal Recycling (EMR) to bring significant financial returns from scrap metal recycling. We are also proud to support the Grown in Britain campaign, which promotes the use of timber and timber products from home-grown forests; in 2014 VINCI PLC will work with key suppliers to incorporate Grown in Britain products across its operations.

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VINCI CONSTRUCTION UK IN THE COMMUNITY

At VINCI Construction UK, we have always been committed to making a positive impact in the communities where we operate.

For years we have sought to conduct our business in a way that is ethically viable and socially responsible. Along with collaboration, innovation and internationalisation, community involvement is one of our Group's guiding principles. Indeed, making a difference through community action in the areas where we live and work is critical to our development as a sustainable business and to our reputation as a world leader in construction.

In 2013 we continued our focussed and formalised programme of company-wide community initiatives.

STAND OUT! MAKE A DIFFERENCE

Across VINCI Construction UK, individuals and teams regularly undertake challenges or commitments to raise money for charities and good causes. Based on a long-term partnership with The Construction Youth Trust, The Prince's Trust and the Duke of Edinburgh's Award, our pioneering community and employee engagement initiative, Stand Out! Make a Difference (SOMAD), facilitates this commitment.

Through SOMAD, each employee is allowed to take a day's paid leave in addition to their annual leave to support a worthy cause. Compared to 2012, the number of formal requests for SOMAD days rose by 13% in 2013. Throughout the year, SOMAD had a palpable effect on local communities and the lives of disadvantaged young people.

BUDDING BRUNELS

Our Budding Brunels programme has a particular focus on promoting professional construction careers to disadvantaged young people. In 2013, we delivered on our commitments to expand the Budding Brunels programme; six schemes have now been completed in King's Cross, Nottingham, Maidstone, Solihull, Leighton Buzzard and at Crossrail, each helping to raise awareness of construction as a career.

In total, Budding Brunels provided opportunities to more than 180 young people throughout the year. A number of these participants have gone on to find employment within our supply chain, and some have even been nominated for awards, including Young Builder of the Year.

PRINCE'S TRUST

As part of SOMAD, we support the Prince's Trust's Get into Construction Scheme, a national programme providing young people from disadvantaged backgrounds with vital experience of working in the construction industry; opening doors which might otherwise remain closed.

Get into Construction programmes were conducted at Byron House in Nottingham and Liverpool East Village. Work placements for 28 individuals were also offered through four other schemes.

HELP FOR HEROES

Despite the completion of the Tedworth House armed forces recovery centre, our relationship with Help for Heroes continues to grow. A team of 30 employees are now mentoring current and former service personnel as part of the charity's Pathfinder programme, a nationwide scheme designed to support veterans as they complete their transition from military life. The mentors form a close relationship with their partners, providing essential advice and encouragement.

In 2013 we also signed the armed forces corporate covenant. The covenant underpins our commitment to working with the armed forces both during and after active service.

REHABILITATION

We supported a six month training programme for ex-offenders at our Tesco project in West Bromwich. The scheme sought to create career opportunities which, in turn, would discourage repeat offending. As a result, seven individuals successfully attained CSCS cards, five gained work experience placements and two moved into full time employment.

BUSINESS RISKS

The continued success of the Group depends upon the Management's ability to identify and manage risks which are inherent in the type of activity we are engaged in. These risks fall into specific areas, all of which have the potential to impact on the success of the Group.

FINANCIAL RISK

The principal financial risks that we face are associated with our ability to accurately estimate the costs of carrying out the contracts in which we engage, the risk of properly incurring and controlling those costs, the ability to recover costs under the payment terms of all contracts, the financial standing of our clients, sub-contractors and suppliers in terms of their ability to discharge their obligations to us.

The Group controls these risks in a number of ways. The Group is highly selective in the type of work that it tenders for in terms of the project size, location, complexity and contract duration. These criteria are examined for each business unit and are specific to them to ensure that their capabilities are used to best effect. The Group specialises in certain types of building, civil engineering and facilities projects in line with the areas where we have proven expertise. Tenders are controlled in accordance with a tender control policy and are authorised by directors according to their value and type. In accordance with VINCI procedures, tenders over set amounts are submitted to the VINCI Risk Committee in Paris for approval.

HEALTH AND SAFETY

The Group recognises the importance of the health and safety of all those employed in its offices and sites and operates policies to ensure that the risks associated with accidents and health are properly managed and controlled.

THE ENVIRONMENT

The Group recognises the importance of minimising the impact on the environment and is pro-actively managing this. New procedures were adopted in 2007 to measure and manage outputs and to set targets for reduction.

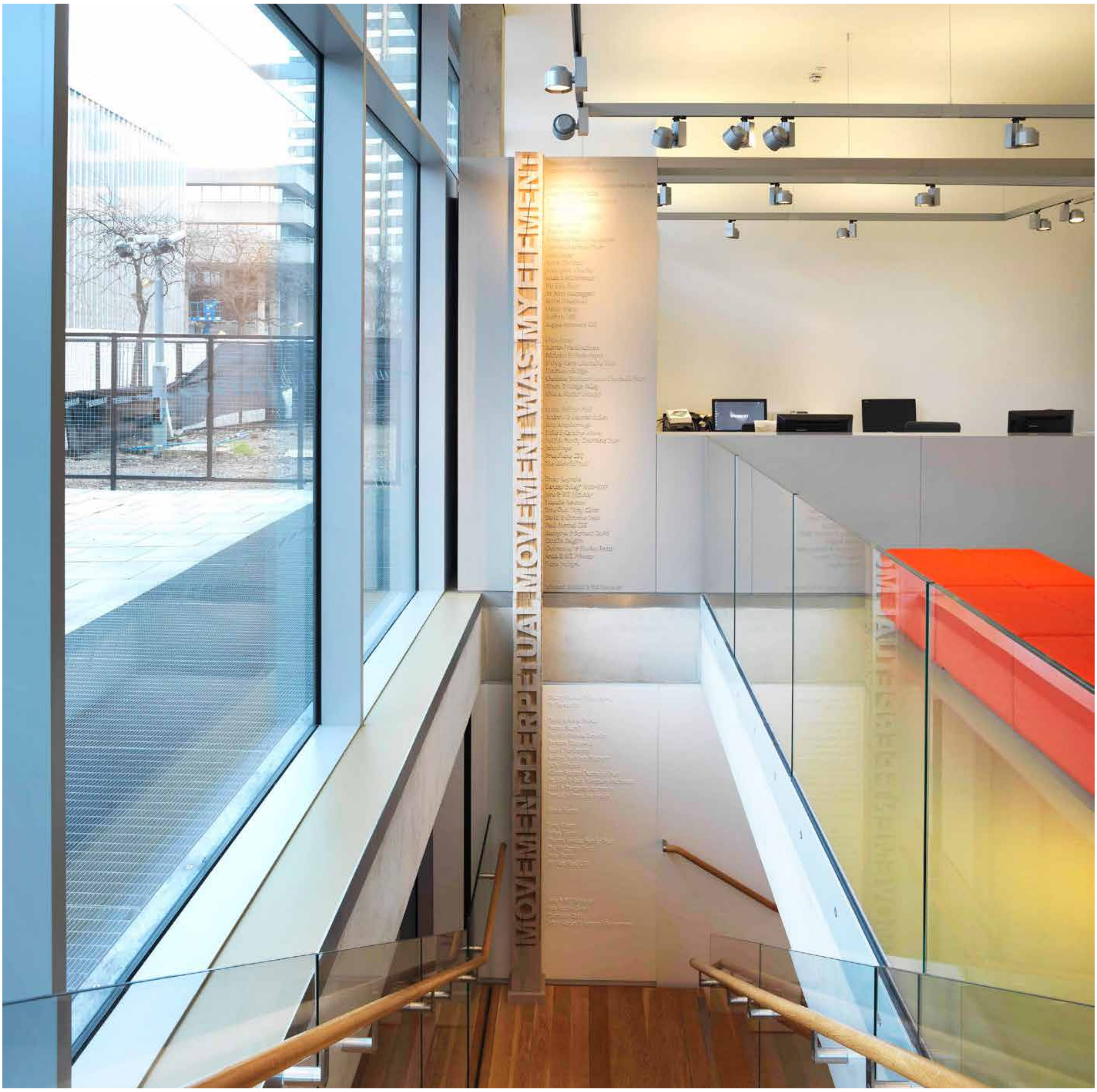
HUMAN RESOURCES

The Group's employees are its most important resource. It is essential to the future success of the business that a skilled and motivated workforce is retained.

By Order of the Board

Andrew Ridley-Barker,
Managing Director, VINCI Construction UK

Date : 16th April 2014


MOVEMENT PERPETUAL MOVEMENT WAS MY ELEMENT

The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

DIRECTORS

The Directors submit their report to the members, together with the audited financial statements for the year ended 31st December 2013.

RESULTS AND DIVIDENDS

The profit after taxation for the financial year as shown in the consolidated profit and loss account on page 22 amounted to £4,816,000 (2012: £6,778,000).

There were no dividends paid during the current or previous year. The directors do not propose the payment of a final dividend.

The present directors of the Company, who served throughout the year, are set out at the front of this Annual Report. There were no other changes in directorship.

INDEMNITY PROVISIONS

No qualifying third party provision is in force for the benefit of any director of the Company.

GOING CONCERN

The Group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and construction activities. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

EMPLOYEES

The Group has continued its policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Should an employee become disabled while in the Group's employment they are guaranteed consideration for alternative positions within the Group which are within their capabilities. It is the Group's policy to offer training and development opportunities to all employees on the basis of the assessment of training needs.

Communication and involvement

The Directors recognise the importance of good communications with the Group's employees and informing and consulting with them on a regular basis on the performance and objectives of the Group. This is mainly through regular meetings, personal appraisals, e-mail communications and the annual team survey.

When practical, employees have the opportunity to participate in VINCI share savings schemes.

Health and safety

Health and safety issues figure prominently at Board level to ensure, as far as possible, the prevention of health risks or accidents to employees, contractors, sub-contractors, members of the public or any other persons who may come into contact with the Group's activities. Health and safety consultative committees operate at all levels. The Group is proud of, but not complacent about, its safety record.

POLITICAL DONATIONS

Neither the Company nor any of its subsidiaries made any political donations nor incurred any political expenditure in the current or previous years.

DISCLOSURE OF INFORMATION TO THE 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 steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR

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

APPROVAL

The Report of the Directors was approved by the Board on 16th April 2014 and signed on its behalf by:

A M Ridley-Barker
Director

Company Registration Number 2295904
VINCI CONSTRUCTION UK LIMITED
Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW

Statement of directors' responsibilities in respect of the Annual Report

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

Company law requires the directors to prepare the group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and applicable laws and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements state whether they have been prepared in accordance with IFRS, and adopted by the EU;
- for the parent company financial statements state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors’ Report to the Members of VINCI Construction UK Limited

We have audited the financial statements of VINCI Construction UK Limited for the year ended 31st December 2013 set out on pages 20 to 70. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 18, 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 (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31st December 2013 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

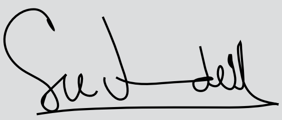
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Stephen Wardell
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
1 North Fourth Street
Milton Keynes
Buckinghamshire, MK9 1NE
16th April 2014

Consolidated Income Statement

For the year ended 31st December 2013

	Notes	2013	2012
		£000	£000
Revenue	2	1,232,287	1,056,775
Cost of sales		(1,178,673)	(973,776)
Gross profit		53,614	82,999
Administrative expenses	2,3,5	(73,781)	(73,432)
Other operating income	4	21,492	-
Share of profits of associates using the equity accounting method-operating	11	235	-
Operating profit before net financing income	2	1,560	9,567
Financial income	7	2,417	1,471
Financial expenses	7	(1,376)	(1,125)
Net financing income		1,041	346
Share of losses from associates and jointly controlled entities using the equity accounting method		(319)	-
Profit before taxation		2,282	9,913
Taxation	8	2,534	(3,135)
Profit from continuing operations	19	4,816	6,778

Consolidated Statement of Comprehensive Income and Statement of Changes in Equity

For the year ended 31st December 2013

Consolidated Statement of Comprehensive Income	2013	2012
	£000	£000
Profit for the year	4,816	6,778
Items that may be reclassified subsequently to the income statement:		
Foreign exchange translation differences	132	190
Items that will never be reclassified subsequently to the income statement:		
Actuarial losses/gains on defined benefit schemes	(479)	348
Taxes on actuarial losses on defined benefit scheme	20	-
Other comprehensive income for the year	(327)	538
Total comprehensive income	4,489	7,316

Statement of Changes in Equity	Share capital	Translation reserve	Retained earnings	Total equity
Group	£000	£000	£000	£000
At 1st January 2013	12,487	121	61,331	73,939
Total comprehensive income for the period:				
Profit for the year	-	-	4,816	4,816
Other comprehensive income/(expense)	-	132	(459)	(327)
Transactions with owners recorded directly in equity:				
Transfer of investment from parent company (note 11)	-	-	8,481	8,481
Equity settled transactions	-	-	1,537	1,537
Deferred tax recognised directly in equity	-	-	(252)	(252)
At 31st December 2013	12,487	253	75,454	88,194
At 1st January 2012	12,487	(69)	53,271	65,689
Total comprehensive income for the period:				
Profit for the year	-	-	6,778	6,778
Other comprehensive income	-	190	348	538
Transactions with owners recorded directly in equity:				
Equity settled transactions	-	-	1,308	1,308
Deferred tax recognised directly in equity	-	-	(374)	(374)
At 31st December 2012	12,487	121	61,331	73,939

Consolidated Statements of Financial Position

For the year ended 31st December 2013

	Notes	2013 £000	2012 £000	2011 £000
Non-current assets				
Intangible assets	9	99,416	99,416	99,416
Property, plant and equipment	10	2,102	62	822
Investments in jointly controlled entities accounted for using the equity method	11	21,211	51	51
Investments in associates accounted for using the equity method	11	752	-	-
Other investments	12	16,052	5,123	5,973
Deferred tax asset	17	1,905	-	-
		141,438	104,652	106,262
Current assets				
Inventories	13	1,113	-	1,240
Trade and other receivables	14	268,711	215,958	209,596
Tax receivable		166	-	-
Cash and cash equivalents	15	142,361	223,013	324,268
Employee benefits	18	-	71	-
		412,351	439,042	535,104
Total assets		553,789	543,694	641,366
Current liabilities				
Bank overdraft	15	-	-	80,741
Trade and other payables	16	465,176	466,025	480,912
Tax payable		-	3,139	13,232
		465,176	469,164	574,885
Non-current liabilities				
Deferred tax liability	17	-	591	515
Employee benefits	18	419	-	277
		419	591	792
Total liabilities		465,595	469,755	575,677
Net assets		88,194	73,939	65,689
Equity attributable to equity holders of the parent				
Issued share capital	19	12,487	12,487	12,487
Translation reserve	19	253	121	69
Retained earnings	19	75,454	61,331	53,133
Total equity		88,194	73,939	65,689

The financial statements were approved by the Board on 16th April 2014 and signed on its behalf by:

A M Ridley-Barker (Director)
Company Registered Number 2295904

Cash flow Statements

For the year ended 31st December 2013

	Notes	2013	2012
		£000	£000
Cash flows from operating activities			
Profit for the year		4,816	6,778
Adjustments for:			
Depreciation, amortisation and impairment		673	115
Financial income		(2,417)	(1,471)
Financial expense		1,376	1,125
Profit on sale of investment		(21,492)	-
Proceeds from sale of operating assets		23,664	-
Share of losses in jointly controlled entities and associates		84	-
Gain on sale of property, plant and equipment		-	(78)
Equity settled share-based payment expenses		1,537	1,308
Taxation		(2,534)	3,135
Operating cash flows before movements in working capital and provisions		5,707	10,912
Increase in trade and other receivables		(36,595)	(4,971)
(Increase)/decrease in stock		(1,113)	14
Decrease in trade and other payables		(11,429)	(23,406)
Increase/(decrease) in employee benefits		33	(9)
Cash generated from operations		(43,397)	(17,460)
Interest paid		(1,376)	(1,084)
Tax paid		(3,364)	(5,007)
Net cash from operating activities		(48,137)	(23,551)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	430
Interest received		2,415	1,439
Dividends received		97	-
Cash transferred with subsidiary		(22,616)	-
Acquisition of property, plant and equipment		(2,832)	(20)
Subordinated loan to associate entities and investments		(9,830)	994
Net cash from investing activities		(32,766)	2,843
Effect of exchange rate fluctuations on cash held		251	194
Net decrease in cash and cash equivalents		(80,652)	(20,514)
Cash and cash equivalents at 1 January		223,013	243,527
Cash and cash equivalents at 31 December	15	142,361	223,013

Notes to the Consolidated Financial Statements

at 31st December 2013

1. Accounting policies

VINCI Construction UK Limited ("the Company") is a company domiciled in the United Kingdom.

Basis of preparation

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's jointly controlled entities and interest in associates. The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (GAAP). These are presented on pages 59 to 71.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and in preparing an opening IFRS balance sheet at 31st December 2011 for the purposes of the transition to Adopted IFRS.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Basis of consolidation

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

The interest of non-controlling shareholders is stated at the non-controlling shareholder's proportion of the fair value of the assets and liabilities recognised.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but are not effective at 31st December 2013 and have not been early adopted by the group in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

- International Financial Reporting Standard (IFRS) 9 Financial Instruments
- International Financial Reporting Standard (IFRS) 10 Consolidated Financial Statements
- International Financial Reporting Standard (IFRS) 11 Joint Arrangements
- International Financial Reporting Standard (IFRS) 12 Disclosure of Interest in Other Entities

Change in Accounting Policies

Transition to Adopted IFRSs

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 27.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements.

- Employee benefits - All cumulative actuarial gains and losses on defined benefit plans have been recognised in equity at 1st January 2012.
- Cumulative translation differences - Cumulative translation differences for all foreign operations have been set to zero at 1st January 2012.
- Share based payments - IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1st January 2012.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

1. Accounting policies (continued)

IAS 19 (Revised) Employee Benefits

The Group adopted IAS 19 (Revised) Employee Benefits from 1 January 2013. As a result of IAS 19 (Revised), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans. Under previous IAS 19, interest cost on the defined benefit obligation and an expected return on plan assets were recognised in profit or loss within finance cost and finance income respectively. Under IAS 19R, these two amounts have been replaced by a single measure called 'net interest' calculated on the net defined benefit liability/(asset). This change affects the difference between actual and expected returns on plan assets, which is recognised in full within OCI as part of remeasurements.

The effect of the above on the current period was an increase in net finance income by £25,000 and an increase in remeasurements of the net defined benefit liability in OCI of £479,000. The effect of the adjustment on prior period profit and loss was to increase net finance costs by £nil and reduce remeasurements of the net defined benefit asset by £157,000. As a result of the above the deferred tax credit in OCI has increased by £20,000. The effect on the statement of changes in equity of the amended standard was an adjustment to retained earnings, as explained above.

Long term contracts

Long term contracts are those that are in excess of 12 months or of any shorter duration which are material to the activity of the period.

Construction contract receivables

Amounts recoverable on contracts are included in receivables and are valued, inclusive of profit, at work executed at contract prices plus variations less payments on account. Profit on long term contracts is recognised once the outcome can be assessed with reasonable certainty. The margin on each contract is the lower of the margin earned to date and forecast at completion. Full provision is made for anticipated future losses and such losses are included in creditors. Where contract payments received exceed amounts recoverable these amounts are included in creditors.

Amounts recoverable normally include claims only when there is a firm agreement with the client, but when assessing anticipated losses on major contracts a prudent and reasonable estimate of claims is taken into account.

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Inventories

Inventories and work in progress are stated at the lower of cost and estimated net realisable value.

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

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

Interest-bearing borrowings

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 with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

1. Accounting policies (continued)

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. The recoverable amounts are determined from value in use calculations of the cash generating units (CGUs) using cash flow projections based on the latest three year plan approved by VINCI. The main assumptions for each CGU, which relate to sales volume, cost changes and working capital requirements, are based on recent history and expectations of future changes in the market. The discount rate applied to the cash flow forecast is based on a VINCI determined post-tax weighted average cost of capital of 8.4%.

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

Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price 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.

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Group is a member of a larger group pension scheme providing benefits based on final pensionable pay. Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 (R) the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 1st January 2012, the date of transition to Adopted IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1st January 2012 the group recognises them in the period they occur directly into equity through the statement of comprehensive income.

In accordance with Group policy, subsidiary undertakings continue to record the actual contributions that they make in the year.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

1. Accounting policies (continued)

Share-based payment transactions

The share option programme allows Group employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The Group took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity investments that were granted after 7th November 2002 and that had not vested by 1st January 2012.

Intangible assets

Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1st January 2004 (the effective date of IFRS 3), goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

In respect of acquisitions prior to 1st January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Other intangible assets that are acquired by the Group, with the exception of brand names, are stated at cost less accumulated amortisation and impairment losses. Brand name assets are stated at cost less any accumulated impairment losses. They are not amortised but are tested annually for impairment.

Jointly controlled entities and associates

The Group's share of joint ventures and associates is included on one line except for its share in VSM Estates Limited and VSM Estates (Uxbridge) Limited. Due to the nature of the profit, the Group's share of the VSM Estates Limited results has been included within operating profit in the consolidated income statement. In the consolidated balance sheet the interests in joint ventures and associates are included as the Group's share of the net assets of joint ventures and associates plus goodwill on acquisition less related amortisation and impairment write-downs.

Jointly controlled operations

Where a Group company is party to a jointly controlled operation, that company proportionately accounts directly for its share of the income and expenditure, assets, liabilities and cash flows on a line by line basis. Such arrangements are reported in the consolidated financial statements on the same basis.

Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write-down would be charged to operating profit. The principal anticipated useful lives on a straight line basis are:

Plant and machinery	-from two to fifteen years
Motor vehicles	-from three to five years
Computer systems and fixtures and fittings	-from three to ten years

Where assets are financed by leasing agreements which give risk and rewards approximating to ownership ('finance lease') the assets are included in the balance sheet at cost less depreciation in accordance with the normal accounting policy. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income statement over the period of the lease in proportion to the balance of capital repayments outstanding.

All other leases are regarded as operating leases and the total payments made under them are charged to the income statement on a straight line basis over the period of the lease.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

1. Accounting policies (continued)

Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1st January 2010 (the effective date of the revision to IFRS 3)

For acquisitions on or after 1st January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at the fair value at the acquisition date.

Acquisitions prior to 1st January 2010 (the effective date of the revision to IFRS 3)

For acquisitions prior to 1st January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Pre-contract costs

Pre-contract costs are expensed as incurred until the Group is appointed preferred bidder. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is probable, pre-contract costs incurred post the appointment as preferred bidder are included in inventories. Where pre-contract bid costs are reimbursed at financial close, the proceeds are initially applied against the asset included in inventories. Any excess recoveries are carried forward as deferred income and released to the income statement over the period of the contract to which the pre-contract costs relate.

Revenue

Revenue is the total amount receivable by the Group in the ordinary course of business with outside customers for goods supplied and services provided excluding VAT and trade discounts. On long term contracts the estimated sales value of work performed in the year is included.

Profit on contracts is recognised on a percentage of completion basis when the contract's outcome can be reliably estimated. The percentage of completion basis is measured by the proportion of total costs to date to the estimated total cost of the contract.

Variations and compensating events are included in forecasts to completion when it is considered highly probable that they will be recovered. Provision is made for losses incurred or foreseen in bringing the contract to completion when they become apparent. In these circumstances a prudent and reasonable estimate of claims receivable may be taken into account to mitigate foreseeable losses.

Consistent contract review procedures are in place in respect of contract forecasting.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

1. Accounting policies (continued)

Expenses

Operating lease payments

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

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable, financial elements of pensions, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively 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 the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 asset can be utilised.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated at the exchange rate at the year end. The income and expenses of foreign operations are translated at the date of the transactions.

Foreign currency differences are recognised in the statement of comprehensive income, and presented in the translation reserve in equity.

The group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs (1st January 2012).

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

2. Segmental reporting

The segmental reporting is based on the Group's main divisional operations as follows:

- Building
- Civil Engineering
- Facilities
- PFI (from 1st January 2013)

In addition, the Group operates an 'other activities' segment. The other activities segment now includes the Group's interest in technology. None of the individual activities included in other activities meet any of the quantitative thresholds for determining reportable segments. Trading between segments is carried out on an arm's length basis.

The Group's activities are primarily within the UK. Therefore, no geographical segmental analysis is presented.

Information regarding the results of each reportable segment is included below.

Income statement	Building	Civil Engineering	Facilities	PFI	Other	Group 2013 Total
	£000	£000	£000	£000	£000	£000
Gross revenue	630,675	379,179	215,611	-	41,151	1,266,616
Less inter segment revenue	-	-	-	-	(34,329)	(34,329)
Consolidated revenue	630,675	379,179	215,611	-	6,822	1,232,287
Operating (loss)/profit	(36,141)	10,464	4,380	21,668	1,189	1,560
Financial income	528	415	105	1,326	43	2,417
Financial expenses	(957)	(101)	(10)	(293)	(15)	(1,376)
Share of profits from entities using the equity accounting method	-	-	-	(319)	-	(319)
(Loss)/profit before taxation	(36,570)	10,778	4,475	22,382	1,217	2,282
Taxation	-	-	-	-	2,534	2,534
Depreciation, amortisation & impairment	(50)	(623)	-	-	-	(673)

	Building	Civil Engineering	Facilities	Other	Group 2012 Total
	£000	£000	£000	£000	£000
Gross revenue	598,890	242,207	207,003	30,473	1,078,573
Less inter segment revenue	-	-	-	(21,798)	(21,798)
Consolidated revenue	598,890	242,207	207,003	8,675	1,056,775
Operating (loss)/profit	(10,185)	12,101	6,862	789	9,567
Financial income	754	557	97	63	1,471
Financial expenses	(942)	(17)	(88)	(78)	(1,125)
(Loss)/Profit before taxation	(10,373)	12,641	6,871	774	9,913
Taxation	-	-	-	-	(3,135)
Depreciation, amortisation & impairment	(17)	(7)	-	(91)	(115)

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

2. Segmental reporting (continued)

Balance sheet	Building	Civil Engineering	Facilities	PFI	Other	Group 2013 Total
	£000	£000	£000	£000	£000	£000
Intangible assets	24,882	54,596	18,478	-	1,460	99,416
Property, plant and equipment	51	2,042	9	-	-	2,102
Elimination of shares	(24,972)	(47,311)	(17,999)	(3,000)	93,282	-
Investments accounted for using the equity accounting method	-	51	-	21,912	-	21,963
Other non current assets	-	327	20	16,218	1,392	17,957
Current assets	188,127	160,583	67,493	1,047	(4,899)	412,351
Total assets	188,088	170,288	68,001	36,177	91,235	553,789
Current liabilities	206,047	125,984	46,157	5,321	81,667	465,176
Non-current liabilities	-	-	419	-	-	419
Total liabilities	206,047	125,984	46,576	5,321	81,667	465,595
Total equity	(17,959)	44,304	21,425	30,856	9,568	88,194

Balance sheet	Building	Civil Engineering	Facilities	Other	Group 2012 Total
	£000	£000	£000	£000	£000
Intangible assets	24,882	54,596	18,478	1,460	99,416
Property, plant and equipment	37	16	9	-	62
Elimination of shares	(24,972)	(47,311)	(17,999)	90,282	-
Investments accounted for using the equity accounting method	-	51	-	-	51
Other non current assets	-	5,123	-	-	5,123
Current assets	210,941	168,378	67,214	(7,491)	439,042
Total assets	210,888	180,853	67,702	84,251	543,694
Current liabilities	195,228	147,539	50,293	76,104	469,164
Non-current liabilities	(65)	(451)	54	1,053	591
Total liabilities	195,163	147,088	50,347	77,157	469,755
Total equity	15,725	33,765	17,355	7,094	73,939

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

3. Expenses

Included in the profit are the following:	2013	2012
	£000	£000
Operating leases - plant and machinery	30,271	28,197
Operating leases - other	4,937	9,779
Depreciation of tangible assets	673	115
Profit on disposal of property, plant and equipment	-	(78)
Auditor's remuneration - audit of these financial statements	294	267

Amounts receivable by Group's auditor and their associates in respect of services to the Group and its associates, other than the audit of Group's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Group's parent, VINCI PLC.

4. Other operating income

	2013	2012
	£000	£000
Profit from sale of PFI investments (see note 11)	21,492	-

5. Employees

(i) Staff costs during the year amounted to:	2013	2012
	£000	£000
Wages and salaries	134,525	136,843
Social security costs	13,466	13,318
Reorganisation and redundancy costs	3,109	2,614
Pension costs – defined contribution scheme	6,780	6,803
– defined benefit scheme	2,116	2,038
Share based payments (see note 18)	1,538	1,331
	161,534	162,947

(ii) The average number of employees during the year was as follows:	2013 No.	2012 No.
Management	106	111
Administration	1,234	1,301
Operations	2,185	2,305
	3,525	3,717

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

6. Directors' remuneration

	2013	2012
	£000	£000
Emoluments	1,050	985
Pension costs - defined benefit	96	88
Pension costs - defined contribution	120	116
	1,266	1,189

Two of the directors (2012: 2) are accruing benefits under the Group defined benefit plans.
Directors' emoluments disclosed above include the following:

	2013	2012
	£000	£000
Highest paid Director	276	288

The annual pension accruing to the highest paid director under the Group defined benefit scheme is £nil (2012: £nil).

One of the Directors of the Group and Company exercised share options in 2013 (2012: none). The value of the compensation to Directors in share based payments in 2013 was £6,369 (2012: £nil).

7. Finance income and expense

	2013	2012
	£000	£000
Other financial income and similar income		
Return on pension assets	2	-
Bank interest	2,415	1,439
Total financial income	2,417	1,439
Financial expenses and similar charges		
Interest on pension obligation	-	(9)
Bank loans and overdrafts	(1,060)	(792)
Foreign exchange losses	(316)	(292)
Total financial expenses	(1,376)	(1,093)
Net financial income	1,041	346

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

8. Taxation

Recognised in income statement:	2013	2012
	£000	£000
Current tax:	—	3,441
UK corporation tax on profits for the year	55	(8)
Total current tax	55	3,433
Deferred tax - origination and reversal of timing differences	(2,444)	194
Changes in tax rates	284	(35)
Share options	(357)	(320)
Adjustment in respect of prior periods	(72)	(137)
Tax (credit)/charge on profit on ordinary activities	(2,534)	3,135

Reconciliation of effective tax rate

The tax assessed for the period is lower (2012: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	2013	2012
	£000	£000
Profit on ordinary activities before taxation	2,282	9,913
Theoretical tax at UK corporation tax rates 23.25% (2012: 24.5%)	530	2,429
Effects of:		
(Income)/expenditure not allowable for tax	(3,331)	899
Adjustment for tax rate differences	284	(35)
Movements on deferred tax not provided	-	(13)
Movement in respect of deferred tax in prior periods	(72)	(137)
Adjustments in respect of prior periods	55	(8)
Actual total taxation (credit)/charge	(2,534)	3,135

On 21st March 2012 the Chancellor announced the reduction in the main rate of UK corporationtax to 24 per cent with effect from 1st April 2012 and a further reduction to 23 per cent with effect from 1st April 2013.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. These changes became substantively enacted on 2nd July 2013 and therefore the effect of this rate reduction creates a reduction in the deferred tax asset which has been included in the figures above.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

9. Intangible assets

Cost	Goodwill	Brand name	Customer list	Total
	£000	£000	£000	£000
At 1st January 2012 and 31st December 2012	76,693	24,220	455	101,368
At 1st January 2013 and 31st December 2013	76,693	24,220	455	101,368
Impairment losses and amortisation				
At 1st January 2012 and 31st December 2012	-	1,497	455	1,952
At 1st January 2013 and 31st December 2013	-	1,497	455	1,952
Net book value				
At 31st December 2012 and 31st December 2013	76,693	22,723	-	99,416

Goodwill in respect of acquisitions made prior to January 1998 is not treated as an intangible asset and was eliminated at the time of acquisition against Group reserves. The cumulative amount of such goodwill was :

	2013	2012
	£000	£000
Positive goodwill eliminated against reserves	1,903	1,903

Following the adoption of IFRSs, goodwill is no longer amortised over 20 years but tested annually for impairment.

The customer list values for all intangible assets were fully amortised in prior years. In assessing the useful life of the brand values, due consideration is given to the existing longevity of the various VINCI Construction UK Limited brands, the indefinite life cycle of the construction industry in which the brands operate and the expected usage of the brand names in the future.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

9. Intangible assets (continued)

For the purpose of impairment testing, intangible assets are allocated to the Group's operating divisions as reported in Note 2. The key assumptions are restricted growth in the early years based on a five year projection, a long term growth rate of 0% and a pre-tax discount rate of 10.12%. The aggregate carrying amount of intangible assets allocated to each reporting segment is as follows:

	Goodwill	Brand name	Total	Goodwill	Brand name	Total
	2013	2013	2013	2012	2012	2012
	£000	£000	£000	£000	£000	£000
Building	24,882	-	24,882	24,882	-	24,882
Civil Engineering	32,096	22,500	54,596	32,096	22,500	54,596
Facilities	18,255	223	18,478	18,255	223	18,478
Other	1,460	-	1,460	1,460	-	1,460
	76,693	22,723	99,416	76,693	22,723	99,416

Impairment loss

2012 and 2013

Recoverable values arising from impairment testing are in excess of allocated carrying values for all Cash Generating Units, and as such no impairment losses have been recognised in either year.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

10. Property, plant and equipment

	Plant and machinery	Motor vehicles	Computer systems, fixtures and fittings	Total
	£000	£000	£000	£000
Cost or valuation:				
At 1st January 2012	4,498	61	541	5,100
Additions	-	-	20	20
Disposals	(4,394)	(61)	(386)	(4,841)
At 31st December 2012	104	-	175	279
Cost or valuation:				
At 1st January 2013	104	-	175	279
Additions	2,735	-	97	2,832
Acquisitions through business combinations	-	-	26	26
Effect of exchange rate movements	(149)	-	(8)	(157)
At 31st December 2013	2,690	-	290	2,980
Depreciation				
At 1st January 2012	3,911	61	306	4,278
Charged	51	-	64	115
Disposals	(3,867)	(61)	(248)	(4,176)
At 31st December 2012	95	-	122	217
Depreciation:				
At 1st January 2013	95	-	122	217
Charged	609	-	64	673
Acquisitions through business combinations	-	-	26	26
Effect of exchange rate movements	(33)	-	(5)	(38)
At 31st December 2013	671	-	207	878
Net Book Value :				
At 31st December 2012	9	-	53	62
At 31st December 2013	2,019	-	83	2,102

The fixed assets owned by the Group do not include any amounts (2012 : £nil) in respect of assets held under finance lease and hire purchase contracts.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

11. Investments

Movements in the investments in jointly controlled entities are as follows:

	Shares in jointly controlled entities £000	Loans to jointly controlled entities £000	Post- acquisition reserves £000	Total £000
At 1st January 2012 and 31st December 2012	51	-	-	51
At 1st January 2013	51	-	-	51
Acquisitions through business contributions	-	13,802	3,981	17,783
Profits for the year	-	-	237	237
Additions	-	5,630	-	5,630
Repayments	-	(164)	-	(164)
Disposals	-	(2,323)	(3)	(2,326)
At 31st December 2013	51	16,945	4,215	21,211

The Group owns 50% of the ordinary shares of VINCI Environment UK Limited which commenced trading in 2009 and is incorporated in the UK.

This investment is accounted for using the equity accounting method.

11. Investments (continued)

On 1st January 2013, the Group acquired all of the ordinary shares of VINCI Investments Limited from VINCI PLC, the Group's parent undertaking. The Group has taken advantage of the exemption in IFRS 3 from applying acquisition accounting to common control transactions, and has applied book value accounting in recognising the assets and liabilities acquired in these consolidated financial statements as below.

The consideration paid was equal to the share capital acquired.

	Book value £000
Fixed assets	
Investments	34,767
Current assets	
Debtors	8,908
Total assets	43,675
Liabilities	
Overdraft	22,616
Creditors	9,578
Total liabilities	32,194
Net assets	11,481
Share capital	3,000
Retained earnings	8,481
Shareholders' funds	11,481

Through VINCI Investments Limited the Group owns 50% of the ordinary shares of VSM Estates but the Group is only entitled to 25% of this Company's profits. Due to the profit sharing arrangement, VSM Estates Limited has been accounted for as a 25% equity investment. The Group's share of the result from VSM Estates Limited of £235,000 profit has been included on a separate line within operating profit.

The Group also owns 50% of the ordinary shares and profits of VSM Estates (Uxbridge) Limited, a company incorporated during 2012.

Except where stated otherwise all the Group's entity accounted investments were incorporated in the UK.

Details of all significant joint controlled entities and operations in which the Group is involved are given on page 70.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

11. Investments (continued)

Summary financial information on jointly controlled entities - 100 per cent:

	Non-current assets £000	Current assets £000	Current liabilities £000	Non-current liabilities £000	Income £000	Expenses £000
2012						
VINCI Environment UK Limited	-	102	(1)	-	-	-
2013						
VSM Estates Limited	14,355	27,294	(16,760)	(8,032)	2,404	(1,464)
VSM Estates (Uxbridge) Limited	-	71,400	(19,400)	(52,000)	-	-
VINCI Environment UK Limited	-	27,648	(27,547)	-	47,386	(47,386)

Both VSM Estates Limited and VSM Estates (Uxbridge) Limited are involved in the development and sale of real estate. VINCI Environment UK Limited is involved in civil engineering projects. Under its PFI joint ventures the Group has commitments of £nil (2012: £nil) that have been contracted but not provided for in the accounts.

Movement in investments in the associated undertakings are as follows:-

	Loans to associated undertakings £000
At 1st January 2013	-
Acquisitions through business combinations	5,449
Additions	147
Repayments	(140)
Share of losses in the year	(321)
Dividends received	(97)
Disposals	(4,286)
At 31st December 2013	752

On 18th March 2013 VINCI Investments Limited sold its entire shareholding in V.B. Investments (No.2) Limited, an investment company. The subsidiary undertaking of V.B. Investments (No.2) Limited at the time of sale was as follows :

Subsidiary	V.B. Investments (No.2) Limited Holding
Doncaster School Solutions (Holdings) Limited	100% Ordinary Shares

On 20th December 2013 VINCI Investments Limited sold its entire shareholding in V.B. Investments Limited, an investment company. The subsidiary undertakings of V.B. Investments Limited at the time of sale were as follows :

Subsidiary	V.B. Investments Limited Holding
WPA Support Services (Holdings) Limited	100% ordinary shares
DPASS (Holdings) Limited	100% ordinary shares

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

11. Investments (continued)

On 20th December 2013, prior to the sale by VINCI Investments Limited of its shareholding in the entity, V.B. Investments Limited sold its entire shareholding in the following subsidiary undertakings:

Derby School Solutions (Holdings) Limited
H & D Support Services (Holdings) Limited
Newport School Solutions (Holdings) Limited

VINCI Investments also committed to sell its interest in Sheffield LEP Limited on 18th December 2013.

The Group now holds a 25% interest in the ordinary shares of HTP LEP Limited, a joint venture which is involved in the design, build, finance and operation of a PFI project over a concession period of 26.8 years.

Summary of financial information - 100 per cent

2013	Assets £000	Liabilities £000	Equity £000	Revenue £000	Profit/(loss) £000
HTP LEP Limited	1,158	(1,153)	(4)	-	9

Under its associated undertakings, the Group's share of capital commitments that have been contracted for but not provided for in the accounts is £nil (2012 : £nil).

12. Other investments

	2013 £000	2012 £000
Loan	16,039	5,019
Equity securities	13	104
	16,052	5,123

The net movement in the loans during the year represent :

(i) the sale of the Group's £5.1m 19.9% interest in Newhospitals (St Helens and Knowsley) Limited PFI project during the year.
(ii) the acquisition of £16.1m of investments held by VINCI Investments Limited.

These investments are accounted for at cost, as less than 20% of the shares were acquired and no significant influence or control exists.

The equity securities represent a 12.5% interest in the Tramlink Nottingham PFI project via Tramlink Nottingham (Holdings) Limited.

13. Inventories

	2013 £000	2012 £000
Raw materials and consumables	1,113	-

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

14. Trade and other receivables

	2013 £000	2012 £000
Trade receivables	118,967	91,001
Amounts recoverable on contracts	108,350	82,670
Due from parent and fellow subsidiary undertakings	23,479	20,353
Other receivables	12,366	8,536
Prepayments and accrued income	5,549	13,398
	268,711	215,958

At 31st December 2013, trade receivables for the group include retentions of £40,489,000 (2012: £29,873,000) relating to construction contracts. Included within trade and other receivables is £8,489,000 (2012: £10,031,000) for the Group expected to be recovered in more than 12 months.

The Directors consider that the carrying amounts of trade and other receivables are approximate to their fair value. Total trade and other receivables are stated net of the following provisions for irrecoverable amounts.

	2013 £000	2012 £000
At 1st January	1	-
Amounts (released)/provided	(1)	1
At 31st December	-	1

Trade receivables, other receivables and accrued income are analysed as follows:

	2013 Corporate £000	2013 Public sector £000	2012 Corporate £000	2012 Public sector £000
Not overdue	255,648	8,601	197,276	11,801
Between 1 to 3 months past due	3,909	-	4,204	-
Between 3 and 6 months past due	433	-	2,164	-
More than 6 months past due	120	-	513	-
At 31st December	260,110	8,601	204,157	11,801

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

15. Cash and cash equivalent/bank overdrafts

	2013 £000	2012 £000
Cash and cash equivalents per balance sheet	249,816	301,934
Bank overdrafts	(107,455)	(78,921)
Cash and cash equivalents per cash flow statements	142,361	223,013

16. Trade and other payables

	2013 £000	2012 £000
Trade payables	61,374	58,121
Due to parent and fellow subsidiary undertakings	71,049	71,036
Other taxation and social security	153	290
Other payables	9,465	6,852
Accruals	242,897	232,407
Payments on account	80,238	97,319
	465,176	466,025

Trade payables at 31st December 2013 for the Group include retentions on construction contracts of £32,877,000 (2012: £29,900,000).

Included within trade and other payables is £6,310,000 (2012: £5,390,000) expected to be payable in more than 12 months.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Property, plant and equipment	-	-	788	698	788	698
Employee Benefits	(20)	-	-	-	(20)	-
Other Temporary Differences	(2,557)	(96)	-	-	(2,557)	(96)
Share Options	(116)	(11)	-	-	(116)	(11)
Tax (Assets) / Liabilities	(2,693)	(107)	788	698	(1,905)	591

The group also has tax losses of £15,477,890 as at 31st December 2013 (2012: £843,483) which have not been recognised as these may only be set against certain profits arising in specific subsidiaries in future accounting periods. Consequently the group has unrecognised deferred tax assets of £3,095,578 as at 31st December 2013 (2012: £194,001).

Movement in deferred tax during the prior year	1 January 2012 £000	Recognised in income £000	Recognised in equity £000	31 December 2012 £000
Property, plant and equipment	(396)	1,094	-	698
Other temporary differences	976	(1,072)	-	(96)
Share options	(65)	(320)	374	(11)
	515	(298)	374	591

Movement in deferred tax during the year

	1 January 2013 £000	Acquisition through business combination £000	Recognised in income £000	Recognised in equity £000	31 December 2013 £000
Property, plant and equipment	698	(1)	91	-	788
Employee benefits	-	-	-	(20)	(20)
Other temporary differences	(96)	(138)	(2,323)	-	(2,557)
Share options	(11)	-	(357)	252	(116)
	591	(139)	(2,589)	232	(1,905)

18. Employee benefits

Defined benefit pension scheme

The Group is a member of a larger group pension scheme, the VINCI Pension Scheme, providing benefits based on final pensionable pay. Members of the scheme are contracted out of the State Earnings Related Pension Scheme. Members joining before 1st April 2000 did so on a 'defined benefit' basis. Members entering the scheme from this date join on a 'money purchase' basis whereby contributions are invested on behalf of the member and an annuity is purchased from an insurance company on retirement. Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IFRS 19 (R) the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31st December 2010 and was updated for IFRS 19(R) purposes to 2011 and 2012 by a qualified independent actuary. It has been agreed that an employer contribution rate of 29 % of pensionable pay will apply in future years. These contributions from the Group represent 73% of the total contributions from pensionable pay made to the scheme.

Additionally, 76 employees are members of the VINCI NHS Pension Scheme which commenced in December 2003. The Actuary's latest financial valuation has an effective date of 31st December 2012. This disclosed that the market value of the scheme's assets at that date was £4.5m and that the value of the assets was sufficient to cover 99% of the benefits that had accrued to members after allowing for expected future increases in earnings. The actuaries to the scheme calculated the long term funding rate to be 29% of pensionable earnings.

The information disclosed below is in respect of the Group VINCI NHS Pension Scheme

	2013 £000	2012 £000
Present value of partly funded defined benefits obligations	5,853	4,373
Fair value of plan assets	(5,434)	(4,444)
Net liability/(asset)	419	(71)

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

18. Employee benefits (continued)

Group - VINCI NHS Pension Scheme

Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefits liability	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Balance at 1 January	4,373	3,357	4,444	3,080	(71)	277
Included in profit or loss	686	714	-	-	686	714
Interest cost/(income)	208	205	210	196	(2)	9
Included in OCI	5,267	4,276	4,654	3,276	613	1,000
Remeasurements loss/(gain) :						
Actuarial (gain)/loss arising from						
- Changes in demographic assumptions	(244)	135	-	-	(244)	135
- Changes in financial assumptions	788	-	-	-	788	-
- Experience adjustment	38	(73)	-	-	38	(73)
Return on plan assets excluding interest income	-	-	103	410	(103)	(410)
	5,849	4,338	4,757	3,686	1,092	652
Other						
Contributions paid by the employer	-	-	673	723	(673)	(723)
Contributions paid by members	100	116	100	116	-	-
Benefits paid	(96)	(81)	(96)	(81)	-	-
Balance at 31 December	5,853	4,373	5,434	4,444	419	(71)

Actuarial gains and losses recognised directly in equity in the statement of comprehensive income since 1st January 2012, the date of transition to Adopted IFRSs :

	2013 £000	2012 £000
Cumulative amount at 1st January	348	-
Recognised in year	(479)	348
Cumulative amount at 31st December	(131)	348

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

18. Employee benefits (continued)

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

	Group and Company 2013 Fair value £000	Group and Company 2013 Expected return %	Group and Company 2012 Fair value £000	Group and Company 2012 Expected return %
Equities	3,234	8.0	2,407	7.0
Diversified growth funds	351	8.0	-	7.0
Government debt	1,074	3.6	810	4.9
Corporate bonds	1,067	4.5	799	4.9
Cash	26	3.6	101	4.4
Other	-	-	327	6.6
	5,752		4,444	
Actual return on plan assets	633		606	

The plan assets values are shown excluding the £318,000 (2012: £nil) impact of the asset ceiling as per paragraph 64 of IAS 19. There are no investments in the Group's equity, financial instruments or property included in the fair value of the plan assets. The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance of the plan's investment portfolio.

Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages):

	2013 %	2012 %
Discount rate - benefit obligations	4.4	4.4
Expected rate of return on plan assets	6.5	6.1
Future salary increases	3.4	3.0
Inflation	2.6	2.7

Life expectancy (years)	31.12.13		31.12.12	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.1	26.3	22.9	26.2
Member age 45 (life expectancy at 65)	24.9	28.4	24.8	28.3

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

18. Employee benefits (continued)

	Group and Company 2013 £000	Group and Company 2012 £000	Group and Company 2011 £000	Group and Company 2010 £000	Group and Company 2009 £000
Present value of defined benefit obligation	5,853	4,373	3,357	2,525	1,808
Fair value of plan asset	(5,434)	(4,444)	(3,080)	(2,698)	(1,946)
Liability/(asset)	419	(71)	277	(173)	(138)

	Group and Company 2013		Group and Company 2012		Group and Company 2011		Group and Company 2010		Group and Company 2009	
	£000	%	£000	%	£000	%	£000	%	£000	%
Experience adjustments on plan liabilities	(38)	1	73	2	(86)	3	(122)	5	-	-
Experience adjustments on plan assets	423	8	410	9	(237)	8	39	1	106	5
	385		483		(323)		(83)		106	

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

		VNHSPS 2013 £m
Discount rate	- 0.25% reduction	0.3
	- 0.25% increase	(0.3)
Inflation (RPI, CPI)	- 0.25% reduction	(0.3)
	- 0.25% increase	0.3

In valuing the liabilities of the pension fund at 31st December 2013, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31st December 2013 would have increased by £0.2m before deferred tax.

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

The Company expects to pay £960,000 in contributions to its VINCI NHS Pension Scheme in 2014. The weighted average duration of the defined benefit obligation at the end of the reporting period is 21.9 years.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

18. Employee benefits (continued)

Defined contribution plans

The total expense relating to defined contribution plans in the current year was £6,780,000 (2012: £6,803,000).

Share based payments

The terms and conditions of grants are as follows; whereby all options are settled by physical delivery of shares in the ultimate parent, VINCI:

Date of Grant and number of employees entitled	Number of Instruments	Vested Conditions	Contractual life of options
Equity settled award to 24 employees on May 16th 2006	54,000	vested	expiry 16.05.12
Equity settled award to 23 employees on September 15th 2009	50,945	vested	expiry 15.09.16
Equity settled award to 28 employees on July 9th 2010	61,964	vested	expiry 09.07.17

In respect of the 2010 scheme, the share options are only definitely allocated at the end of a vesting period of three years. The number of share options effectively allocated at the end of the vesting period is determined on the basis of changes in a performance indicator during the first two year period. Once vested, the share options must be held for a minimum of one year during which time they may not be disposed of.

	Weighted average exercise price 2013 (euros)	Number of options 2013	Weighted average exercise price 2012 (euros)	Number of options 2012
Outstanding at the beginning of period	37.33	99,619	36.15	189,123
Transfers out	(37.67)	(26,580)	(40.32)	(59,000)
Exercised during the period	(38.37)	(11,075)	(24.20)	(30,504)
Outstanding at the end of period	37.00	61,964	37.33	99,619

The weighted average share price at the date of exercise of share options exercised during 2013 was 46.6 euros (2012: 36 euros). The options outstanding at the year end have an exercise price in the range of 36.70 euros to 38.37 euros and a weighted average contractual life of 3.53 years.

The total expenses recognised for the period arising from share based payments are as follows:

	2013 £000	2012 £000
Equity settled share based payment expense	679	898

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

18. Employee benefits (continued)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes formula.

The main assumptions used to determine the fair values of the options in question were:

Plan	July 2010	Sept 2009	May 2006	March 2005
Volatility (1)	34.22%	32.91%	24.19%	23.55%
Expected return on share	7.24%	8.01%	6.50%	6.30%
Risk-free interest rate (2)	1.59%	2.38%	3.68%	3.17%
Dividend growth rate hoped – for (3)	4.99%	4.21%	2.75%	3.52%
Fair value of the option (€)	4.43	5.64	7.74	5.93

(1) Volatility assumed using a multi-criteria approach based on the mean reversion model applied to a five year series of daily implied volatilities of the VINCI share;
(2) Rate at 5 years of French government bonds;
(3) Average return expected by financial analysts over the three years following the grant date adjusted by a theoretical annual growth rate beyond that period.

Performance Shares

Employees have been granted a maximum number of performance shares as follows:

Date of grant	No. of Employees	No. of Shares
16th April 2013	26	23,374
12th April 2012	26	28,496
2nd May 2011	26	30,732
9th July 2010	28	24,780
15th September 2009	24	21,264
2nd January 2008	19	22,800
2nd January 2007	20	27,000

These shares are subject to the following vesting conditions :

- The shares are only definitively allocated at the end of a period of two years, which can be extended to three years by the VINCI board.
- The number of shares effectively allocated at the end of the vesting period is determined on the basis of changes in a performance indicator during the period.
- The vested shares must be held for a minimum period of two years during which they may not be disposed of.

The main assumptions used to determine the fair values of the performance shares currently in force are as follows:

	Fair value at grant date €	Fair value compared with share price at grant date %	Risk-free interest rate %
16th April 2013	35.47	80.56	0.11
12th April 2012	36.37	77.00	0.36
2nd May 2011	44.87	82.25	1.81
9th July 2010	35.44	79.85	0.97

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

18. Employee benefits (continued)

Castor International Savings Scheme

During 2013 and 2012 the VINCI PLC Group offered to its employees the Castor International Savings Scheme which enables employees, through a trust fund, to invest in the equity capital of the Parent Company VINCI SA.

The principal characteristics of the plan are as follows :

- acquisition of VINCI shares purchased on the market on the subscription dates, without discount;
- seven successive subscription periods between April and October 2013 for the 2013 scheme;
- nine successive subscription periods between March and November 2012, for the 2012 scheme;
- financial contribution from the employer company in the form of matching shares (subject to a maximum) provided that :
  - investing employees have continuing employment for a period of 3 years after acquisition.
  - there is no disposal of shares for 3 years after the subscription date.

2013 Scheme:

Share Purchase Date	Share Price £	No. of employees	No. of Shares
15th May 2013	32.72	774	7,264
17th June 2013	34.09	674	2,889
15th July 2013	34.77	642	2,620
15th August 2013	36.30	648	2,559
16th September 2013	36.06	611	2,302
15th October 2013	39.83	580	2,191
15th November 2013	40.45	608	2,841

2012 Scheme :

Share Purchase Date	Share Price £	No. of employees	No. of Shares
16th April 2012	29.35	813	31,858
15th May 2012	27.47	958	12,493
15th June 2012	27.56	881	5,898
16th July 2012	27.55	880	5,435
15th August 2012	27.34	823	4,885
17th September 2012	30.04	816	4,213
15th October 2012	27.72	790	4,628
15th November 2012	26.67	776	4,552
17th December 2012	29.51	767	4,398

The charge for the year arising from the Castor International Savings Scheme has been calculated based on estimating the number of shares in the scheme which will ultimately vest. The calculation includes an estimate of the number of shares that will fail to vest due to scheme leavers. This estimate is based on actual employee data from 2009 to 2012.

The total amounts recognised for the period arising from the Castor International Savings Scheme are as follows:

	2013 £000	2012 £000
Castor payment expense	859	433
Castor liability at year end	1,292	433

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

19. Reconciliation of movement in capital and reserves

Group	Share capital £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1st January 2012	12,487	(69)	53,271	65,689
Total recognised income and expense	-	190	6,778	6,968
Actuarial gains on defined benefit schemes	-	-	348	348
Equity settled transactions	-	-	1,308	1,308
Deferred tax recognised directly in equity	-	-	(374)	(374)
At 31st December 2012	12,487	121	61,331	73,939
At 1st January 2013	12,487	121	61,331	73,939
Total recognised income and expense	-	132	4,816	4,816
Actuarial losses on defined benefit schemes	-	-	(479)	(479)
Taxes on actuarial losses on defined benefit schemes	-	-	20	20
Transfer of investment from parent company (note 11)	-	-	8,481	8,481
Equity settled transactions	-	-	1,537	1,537
Deferred tax recognised directly in equity	-	-	(252)	(252)
At 31st December 2013	12,487	253	75,454	75,454

Share capital

At 31st December 2013, the authorised, allotted, called up and fully paid share capital comprised 12,487,000 £1 ordinary shares (2012:12,487,000).

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

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

20. Financial instruments

Exposure to credit, liquidity and market risks arises in the normal course of the Group's business. The risks are regularly considered and the impact and how to mitigate them assessed.

Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables 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.

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount and fair value	
	2013	2012
	£000	£000
Cash and cash equivalents (note 15)	249,816	301,934
Trade and other receivables (note 14)	268,711	215,958
Total financial assets	518,527	517,892
Bank overdraft (note 15)	(107,455)	(78,921)
Trade and other payables (note 16)	(465,176)	(466,025)
Total financial liabilities	(572,631)	(544,946)
Net financial instruments	(54,104)	(27,054)

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

20. Financial instruments (continued)

Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or company party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group'sreceivables from customers and cash held at financial institutions.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date for the Group was £518,527,000 (2012: £517,892,000) being the total of the carrying amount of financial assets shown in the table above.

The Group has strict credit control procedures for accepting new customers, setting credit limits and dealing with overdue accounts.

An impairment loss provision against a trade receivable is created where it is anticipated that its value is not fully recoverable.

Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due.

The financial liabilities for the Group at 31st December 2013 comprise bank overdrafts/loans and trade and other payables.

Bank overdrafts are utilised by Group companies to meet their local cash requirements. They are repayable on demand.

Trade and other payables shown as current liabilities are expected to mature within six months of the balance sheet date.

Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on bank loans is on a fixed rate basis. At 31st December 2013 the Group had no bank loans (2012 : £nil).

Foreign currency risk

The majority of the Group's operations are within the UK and so exposure to foreign currency risk is reduced. Where necessary, to minimise currency exposures on sale and purchase transactions, the Group enters into forward foreign exchange contracts. There were no significant outstanding forward foreign exchange contracts at the balance sheet date.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

21. Capital commitments

The Group had no capital commitments at either 31st December 2013 or 31st December 2012.

22. Operating leases

Non-cancellable operating lease rentals are payable over the duration of leases expiring in:

	2013 £000	2012 £000
Land and Buildings		
- within 1 year	1,911	1,250
- between 2 and 5 years	3,599	6,454
- over 5 years	45	45
	5,555	7,749
Vehicles		
- within 1 year	4,579	4,038
- between 2 and 5 years	4,585	3,086
	9,164	7,124
Other leases		
- within 1 year	59	64
- between 2 and 5 years	8	68
	67	132
Total		
- within 1 year	6,549	5,352
- between 2 and 5 years	8,192	9,608
- over 5 years	45	45
	14,786	15,005

23. Contingent liabilities

The Company and certain Group undertakings have entered into guarantees relating to bonds, in the normal course of business, from which no losses are expected to arise.

Joint banking facilities available to the Company, its parent undertaking and certain fellow subsidiary undertakings are secured by cross guarantee. At 31st December 2013, the net Group borrowings were £nil (2012: £nil).

24. Post balance sheet event

Since 31st December 2013 there have been extreme weather events affecting the progress of the Nottingham City tram contract. These events could not have been foreseen at 31st December 2013 and have given rise to delays and additional costs being incurred in 2014. The group will seek to recover these delays and costs but the final outcome remains uncertain at this time.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

25. Related party transactions

Group

Identity of related parties

The Group has a related party relationship with its subsidiaries (see page 70) and fellow subsidiaries of the ultimate parent company, VINCI.

Transactions with key management personnel

There are no additional related party transactions with the directors (see note 6).

Other related party transactions

Associates and joint ventures

During the year ended 31st December 2013, associates and joint ventures purchased services from the Group in the amount of £7.8m (2012: £18.8m) and as at 31st December 2013 associates and joint ventures owed the Group £nil (2012: £1.8m). Transactions with associates and joint ventures are priced on an arm's length basis and are mainly for the provision of construction and facilities management services.

Companies under common control

During the year the Group purchased services from fellow subsidiaries of the ultimate parent company, VINCI for £27.9 m (2012: £36.7m) and fellow subsidiaries purchased services from the Group in the amount of £8.2m (2012: £0.2m). Transactions with these companies are priced on an arm's length basis and are mainly for the provision of construction and central services such as fleet management. The Parent Company, VINCI Construction charged the Group £4.2m (2012: £3.7m) in royalties.

At 31st December 2013 fellow subsidiaries owed the Group £26.4m (2012: £44.1m) and the Group owed £71.1m (2012: £69.8m) to fellow subsidiaries.

26. Ultimate parent undertaking

The company is a subsidiary undertaking of VINCI PLC, incorporated in the United Kingdom.

At 31st December 2013 the ultimate parent undertaking was VINCI, a company incorporated in France which also heads the largest group in which the results of the Company are consolidated. The consolidated accounts of this group can be obtained from the Company Secretary, VINCI, 1 Cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France. The smallest group in which they are consolidated is that headed by VINCI PLC. Copies of VINCI PLC's accounts may be obtained from the Company Secretary, VINCI PLC, Astral House, Imperial Way, Watford, Hertfordshire, WD24 4WW.

27. Explanation of transition to Adopted IFRSs

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31st December 2013, the comparative information presented in these financial statements for year ended 31st December 2012 and in the preparation of an opening IFRS balance sheet at 1st January 2012 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

27. Explanation of transition to Adopted IFRSs (continued)

		1st January 2012			31st December 2012		
		UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
	Note	£000	£000	£000	£000	£000	£000
Non-current assets							
Intangible assets	(a)	84,760	14,656	99,416	79,789	19,627	99,416
Property, plant and equipment		822	-	822	62	-	62
Investments in jointly controlled entities using the equity method		51	-	51	51	-	51
Other investments		5,973	-	5,973	5,123	-	5,123
Deferred tax asset		-	-	-	-	-	-
Current assets							
Inventories		1,240	-	1,240	-	-	-
Trade and other receivables		209,596	-	209,596	215,958	-	215,958
Cash and cash equivalents		324,268	-	324,268	301,934	-	301,934
Employee benefits		-	-	-	71	-	71
Total assets		626,710	14,656	641,366	602,988	19,627	622,615
Current liabilities							
Bank overdraft		80,741	-	80,741	78,921	-	78,921
Trade and other payables		480,912	-	480,912	466,025	-	466,025
Tax payable		13,232	-	13,232	3,139	-	3,139
Non-current liabilities							
Deferred tax liabilities		515	-	515	591	-	591
Employee benefits		277	-	277	-	-	-
Total liabilities		575,677	-	575,677	548,676	-	548,676
Net assets		51,033	14,656	65,689	54,312	19,627	73,939
Equity attributable to equity holders of the parent							
Share capital		12,487	-	12,487	12,487	-	12,487
Translation reserve		(69)	-	(69)	121	-	121
Retained earnings		38,615	14,656	53,271	41,704	19,627	61,331
Total equity		51,033	14,656	65,689	54,312	19,627	73,939

Notes to the reconciliation of equity

(a) IFRS 3 Business Combinations

IFRS 3 'Business Combinations' has been applied to all business combinations that have occurred since 1st January 2004. Consequently a brand value of £22,723k is recognised as a separate intangible asset. Additionally, from 1st January 2004, goodwill is no longer amortised under IFRSs but is tested annually for impairment resulting in a reversal of amortisation previously recognised under UK GAAP of £14,656k. The carrying value of goodwill relating to business combinations dating prior to 2004 is deemed to be £nil.

Notes to the Consolidated Financial Statements (Continued)

at 31st December 2013

27. Explanation of transition to Adopted IFRSs (continued)

Reconciliation of total comprehensive income for the year ended 31st December 2012

	Note	UK GAAP £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue		1,056,775	-	1,056,775
Cost of sales		(973,776)	-	(973,776)
Gross profit		82,999	-	82,999
Administrative expenses	a	(78,481)	5,049	(73,432)
Result from operating activities		4,518	5,049	9,567
Profit on disposal of fixed assets	b	78	(78)	-
Financial income		1,471	-	1,471
Financial expenses		(1,125)	-	(1,125)
Net financing income		346	-	346
Profit before tax		4,942	4,971	9,913
Taxation		(3,135)	-	(3,135)
Profit for the period		1,807	4,971	6,778
Other comprehensive income:				
Foreign currency translation differences		-	190	190
Defined benefit plan actuarial gains		348	-	348
Other comprehensive income		348	190	538
Total comprehensive income for the period		2,155	5,161	7,316

Notes to the reconciliation of profit

a) IFRS 3 Business Combinations
From 1st January 2004 goodwill is no longer amortised under IFRSs but is tested annually for impairment.

b) Profit on disposal of fixed assets included within administrative expenses under IFRSs.

Explanation of material adjustments to the cash flow statement for 2012

There are no material differences between the cash flow statement presented under Adopted IFRSs and the cash flow statement presented under UK GAAP.

Company Statement of Financial Position

at 31st December 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Intangible assets	4	175	186
Tangible assets	5	9	14
Investments in Group undertakings	6	93,448	90,448
Deferred tax asset	9	1,337	-
		94,969	90,648
Current assets			
Trade and other receivables	7	214,381	177,436
Cash and cash equivalents		47,420	115,881
Employee benefits		-	71
		261,801	293,388
Total assets		356,770	384,036
Current liabilities			
Trade and other payables	8	379,427	367,719
		379,427	367,719
Non-current liabilities			
Deferred tax liability	9	-	1,047
Employee benefits		419	-
Total liabilities		379,846	368,766
Net (liabilities)/assets		(23,076)	15,270
Equity attributable to equity holders of the Parent			
Issued share capital	11	12,487	12,487
Retained earnings	12	(35,563)	2,783
Shareholders' (deficit)/funds		(23,076)	15,270

The financial statements were approved by the Board on 16th April 2014 and signed on its behalf by:

A M Ridley-Barker (Director)
Company registered number:2295904

Notes to the Company Financial Statements

at 31st December 2013

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, on the going concern basis and in accordance with UK GAAP.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. Although the Company is in a net liabilities position at 31st December 2013 its subsidiaries maintain net assets and considerable financial resources, and continue to be profitable. The subsidiary companies would make dividend distribution payments to the Company if necessary.

A cashflow statement has not been prepared as permitted by FRS1 (revised) 'Cash Flow Statements'.

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit. The principal anticipated useful lives on a straight line basis are :-

Plant and machinery	-	from two to fifteen years
Computer systems and fixtures & fittings	-	from three to ten years

Impairment of fixed assets and goodwill

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible assets and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that dœs not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversals of the impairment loss should be recognised in the current period.

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

Notes to the Company Financial Statements (Continued)

at 31st December 2013

1. Accounting Policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Where assets are financed by leasing agreements which give risks and rewards approximating to ownership ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the normal accounting policy. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease terms.

Post retirement benefits

The Company participates in the VINCI PLC pension scheme. The assets of the Scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

VINCI PLC also operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account in respect of the defined contribution pension plan is the cost relating to the accounting period.

Stocks and work in progress

Stocks are stated at the lower of cost and estimated net realisable value.

Long term contracts

Long term contracts are those extending in excess of 12 months and of any shorter duration which are material to the activity of the period.

Amounts recoverable on contracts are included in debtors and are valued, inclusive of profit, at work executed at contract prices plus variations less payments on account. Profit on long term contracts is recognised once the outcome can be assessed with reasonable certainty. The margin on each contract is the lower of the margin earned to date and forecast at completion. Full provision is made for anticipated future losses and such losses are included in creditors. Where contract payments received exceed amounts recoverable these amounts are included in creditors.

Amounts recoverable normally include claims only where there is a firm agreement with the client, but when assessing anticipated losses on major contracts a prudent and reasonable estimate of claims is taken into account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19 'Deferred tax'.

Notes to the Company Financial Statements (Continued)

at 31st December 2013

1. Accounting Policies (continued)

Turnover

Turnover is the total amount receivable by the Company in the ordinary course of business with outside customers for goods supplied and services provided excluding VAT and trade discounts. On long term contracts the estimated sales value of work performed in the year is included.

Share-based payment transactions

The share option programme allows Company employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash and liquid reserves

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash).

2. Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year.

The auditor’s remuneration for audit services to the Company was £263,000 (2012: £252,000).

No other services were provided by the auditor to the Company.

Notes to the Company Financial Statements (Continued)

at 31st December 2013

3. Employee benefits

i) Staff costs during the year amounted to :

	2013	2012
	£000	£000
Wages and salaries	121,815	120,822
Social security costs	12,511	12,046
Reorganisation and restructuring costs	3,109	2,593
Other pension costs (note (ii))		
- defined contribution	6,088	6,024
- defined benefits	1,389	1,307
Share based payments	1,430	1,092
	146,342	143,884

The average number of employees during the year was as follows:

	2013	2012
	No.	No.
Management	91	94
Administration	1,043	1,084
Operations	2,105	2,187
	3,239	3,365

(ii) Other Pension Costs

Defined Contribution Pension Scheme

The Company operates a defined contribution scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme.

Defined Benefit Pension Scheme

The Company is a member of a larger group pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify the share of the scheme assets and liabilities on a consistent and reasonable basis; as permitted by FRS17 'Retirement Benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

Additionally, 76 employees are members of the VINCI NHS Pension Scheme (VNHSPS) which is disclosed in note 18 of the Notes to the Consolidated Financial Statements.

(iii) Directors' remuneration

Information relating to directors' emoluments and pension entitlements is disclosed in Note 6 to the Consolidated Financial Statements.

Notes to the Company Financial Statements (Continued)

at 31st December 2013

4. Intangible assets

	Brand name
	£000
Cost	
At 1st January 2013 and 31st December 2013	223
Amortisation	
At 1st January 2013	37
Provided	11
At 31st December 2013	48
Net book value	
At 31st December 2013	175
At 31st December 2012	186

Notes to the Company Financial Statements (continued)

at 31st December 2013

5. Tangible assets

	Plant and machinery	Computer systems, fixtures and fittings	Total
	£000	£000	£000
Cost or valuation			
At 1st January 2012	3,545	324	3,869
Disposals	(3,469)	(300)	(3,769)
At 31st December 2012	76	24	100
Cost or valuation at 1st January 2013 and 31st December 2013	76	24	100
Depreciation			
At 1st January 2012	3,195	185	3,380
Charged	45	17	62
Disposals	(3,173)	(183)	(3,356)
At 31st December 2012	67	19	86
Depreciation at 1st January 2013	67	19	86
Charged	-	5	5
At 31st December 2013	67	24	91
Net Book Value At 31st December 2012	9	5	14
At 31st December 2013	9	-	9

Notes to the Company Financial Statements (continued)

at 31st December 2013

6. Investments

Cost :	£000
At 1st January 2013	97,887
Acquisitions	3,000
At 31st December 2013	100,887
Amounts written off : At 1st January 2013 and 31st December 2013	7,439
Net book value At 31st December 2012	90,448
At 31st December 2013	93,448

On 1st January 2013 the Group's parent company, VINCI PLC, transferred its investment in VINCI Investments Limited to VINCI Construction UK Limited, at its net book value.

The Company has invested in the following principal subsidiary and associated undertakings at 31st December 2013. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Name of Subsidiary	Proportion and class of shareholders	Principal activity
John Jones (Excavation) Limited	100% ordinary shares	Civil Engineering
VINCI Environment UK Limited	50% ordinary shares	Civil Engineering
Taylor Woodrow Construction	100% ordinary shares	Civil Engineering
Pel Interiors Limited	100% ordinary shares	Interior fit-outs
Genflo Technology Limited	100% ordinary shares	Non-trading
Norwest Holst Soil Engineering Limited	100% ordinary shares	Non-trading
Norwest Holst International Limited	100% ordinary shares	Non-trading
VINCI Partnerships Limited	100% ordinary shares	Non-trading
VINCI Investments Limited	100% ordinary shares	PFI

Notes to the Company Financial Statements (continued)

at 31st December 2013

7. Trade receivables

	2013 £000	2012 £000
Trade receivables	93,180	75,045
Amounts recoverable on contracts	96,696	72,396
Due from parent and fellow subsidiary undertakings	18,221	10,035
Tax and social security	-	489
Other receivables	2,207	6,657
Prepayments and accrued income	4,077	12,814
	214,381	177,436

8. Trade and other payables

	2013 £000	2012 £000
Trade payables	52,764	49,428
Due to group undertakings	70,801	65,990
Tax and social security	614	-
Other payables	7,946	3,961
Accruals	204,611	173,762
Payments on account	42,691	74,578
	379,427	367,719

Notes to the Company Financial Statements (continued)

at 31st December 2013

9. Deferred tax (asset)/liability

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Property, plant and equipment	-	-	1,087	1,117	1,087	1,117
Employee benefits	(20)	-	-	-	(20)	-
Other temporary differences	(63)	(64)	-	-	(63)	(64)
Share options	(41)	(6)	-	-	(41)	(6)
Losses	(2,300)	-	-	-	(2,300)	-
Total (assets)/liabilities	(2,424)	(70)	1,087	1,117	(1,337)	1,047

The Company also has tax losses of £15,477,890 as at 31st December 2013 (2012: £843,483) which have not been recognised as these may only be set against certain profits arising in specific divisions in future accounting periods. Consequently the Company has unrecognised deferred tax assets of £3,095,578 as at 31st December 2013 (2012: £194,001).

Movement in deferred tax during the prior year:

	1st January 2012 £000	Recognised in income £000	Recognised in equity £000	31st December 2012 £000
Property, plant and equipment	104	1,013	-	1,117
Other temporary differences	976	(1,040)	-	(64)
Share options	(63)	(268)	325	(6)
	1,017	(295)	325	1,047

Movement in deferred tax during the year:	1st January 2013 £000	Recognised in income £000	Recognised in equity £000	31st December 2013 £000
Property, plant and equipment	1,117	(30)	-	1,087
Employee benefits	-	-	(20)	(20)
Other temporary differences	(64)	1	-	(63)
Share options	(6)	(332)	297	(41)
Losses	-	(2,300)	-	(2,300)
	1,047	(2,661)	277	(1,337)

Notes to the Company Financial Statements (continued)

at 31st December 2013

10. Post balance sheet event

Since 31st December 2013 there have been extreme weather events affecting the progress on the Nottingham City tram contract. These events could not have been foreseen at 31st December 2013 and have given rise to delays and additional costs being incurred in 2014. The Group will seek to recover these delays and costs but the final outcome remains uncertain at this time.

11. Share capital

Details of the share capital of the Company are included in note 19 to the Consolidated Financial Statements.

12. Capital and reserves

	Share capital £000	Retained earnings £000	Total equity £000
At 1st January 2012	12,487	9,059	21,546
Total recognised income and expenses	-	(7,391)	(7,391)
Actuarial gains	-	348	348
Equity settled transactions	-	1,092	1,092
Deferred tax recognised directly in equity	-	(325)	(325)
At 31st December 2012	12,487	2,783	15,270
At 1st January 2013	12,487	2,783	15,270
Total recognised income and expenses	-	(39,020)	(39,020)
Actuarial losses	-	(479)	(479)
Taxes on actuarial losses	-	20	20
Equity settled transactions	-	1,430	1,430
Deferred tax recognised directly in equity	-	(297)	(297)
At 31st December 2013	12,487	(35,563)	(23,076)

Notes to the Company Financial Statements (continued)

at 31st December 2013

A list of significant investments in subsidiaries, jointly controlled entities and jointly controlled operations is given below. Except where otherwise shown all subsidiaries, jointly controlled entities and jointly controlled operations are incorporated in Great Britain. All holdings are of ordinary shares and, except where shown, all subsidiary undertakings are 100% owned and jointly controlled entities and jointly controlled operations are 50% owned.

Principal subsidiary undertakings

Construction
Taylor Woodrow Construction
John Jones (Excavation) Limited
Pel Interiors Limited

PFI
VINCI Investments Limited

International
Taylor Woodrow International Limited

Jointly controlled entities

Investments
*VSM Estates Limited
*VSM Estates (Uxbridge) Limited
*Vinci Environment UK Limited

Jointly controlled operations

Construction
The Taylor Woodrow Construction Alstom Transport Joint Venture
The BBMV Joint Venture (participation between 5% and 50% on various projects)
The Hochtief Vinci Joint Venture
The King's Cross Joint Venture
The M6 DFBO Joint Venture (33% participant)
The Taylor Woodrow Construction BAM Nuttall Joint Venture
The Channel Tunnel Rail Link (CTRL) Joint Venture
The A6 Clapham Bypass Joint Venture
The Integrated Health Projects Joint Venture

*100% of the group's interest is held by a subsidiary undertaking

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