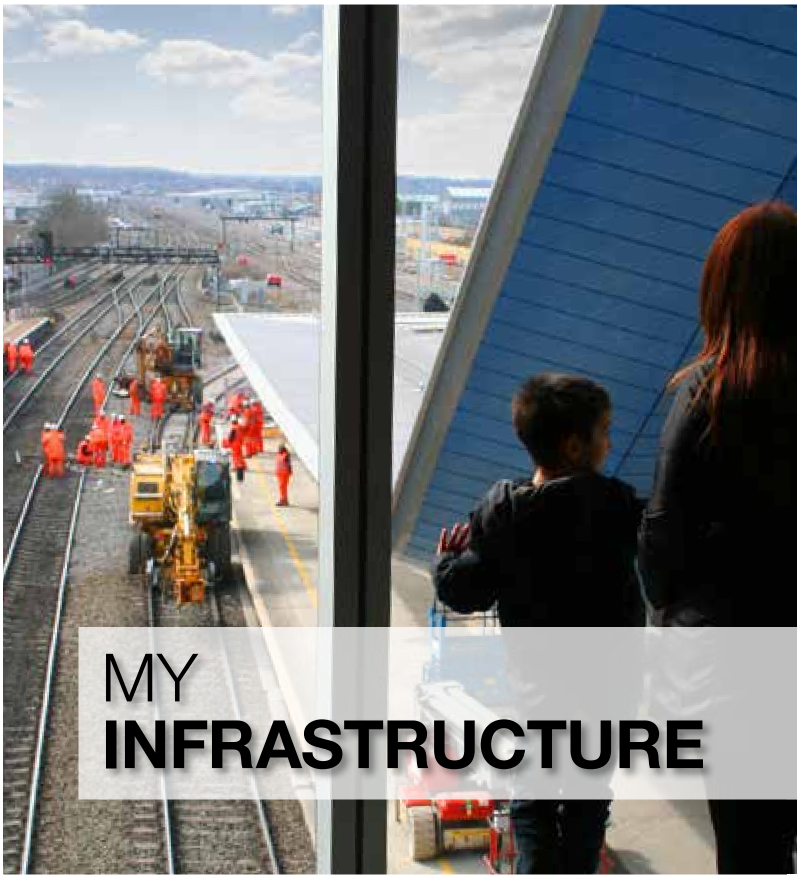
2013
FINANCIAL REPORT



MY
INFRASTRUCTURE

OUR
SOLUTIONS

Reading Station Redevelopment: Photo by kind permission of Network Rail

HOCHTIEF
(UK) CONSTRUCTION

Contents

Directors and Professional advisors

Executive directors

J Jackson

T P Lloyd

U Reinke resigned his position as from 5th June 2013

H Funke-Oberhag resigned his position as from 22nd October 2013

S Hebgen resigned his position as from 22nd October 2013

Secretary and registered office

T P Lloyd

Epsilon

Windmill Hill Business Park

Swindon

Wiltshire SN5 6NX

Registered auditors

Deloitte LLP

Reading

Registered Number

02489026

Directors' report for the year ended 31 December 2013

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The principal activity of the group continues to be building and civil engineering construction both on the company's own account and in joint arrangements.

Review of business

The Board is pleased to report a significant increase in profit this year. The company accounts show the fruition coming from the current management's strategy and innovation over recent years culminating in a profit on ordinary activities before tax of £2.4m for the current year (2012: £1.1 m), showing an increase of 115% in the year. The 2013 profit for the financial year being 3.6% of turnover compared with a percentage of 2.0% in 2012.

The business is managed by monitoring a range of financial and non-financial KPI's, principally turnover, profit, expenses, order book and cash balances. The turnover at £78.1m in 2013 has remained at a similar level to the previous year. The company has also increased its Operating Profit percentage this year to 3.0% (2012: 1.4%). This year's operating expenses are only £3.3m compared with 2012 of £4.2m, down by £0.9m a reduction of 21%. This reflects a further 1.0% reduction of overheads against turnover in the current year, on top of the 3.2% reduction achieved in 2012, coming from further increases in efficiency.

The company has increased its tendering activities to meet the demands of the business and been successful in increasing its order book during the year. The Group cash balance in 2013 has remained high again with this year-end having a healthy bank balance of £10.3m. Furthermore the staff headcount in the current year has increased by 30%, as the company moves forward with its three year Business Plan for growth in the UK market.

The company achieved three Construction Safety RoSPA awards in 2013, a gold and two silvers, for its projects at Hitchin, Reading and Chislehurst. The company has also achieved its BSI 11,000 accreditations for Collaborative Business Relationships for working in an Alliance with Network Rail.

The Board will continue to focus its attention on Rail and Civil projects that match its skill base, those which demand a high level of competence to bring innovative solutions to demanding and intricate structural packages.

The strategy is to continue a steady increase in size and profit as it expands its client base into these markets with Crossrail, Network Rail, Transport for London and London Underground.

The company will also continue to work well with its European competence centres. There are a several key opportunities, in pmticular in Water, Nuclear and Tunnelling sectors, which have been targeted for future expansion into the UK market.

Going concern and Liquidity risk

The company has considerable financial resources, in particular from its parent company, together with long-term contracts with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe the company is well placed to manage its business risks successfully.

Financial risk management

The group's operations expose it to a variety of financial risks. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring risks on an ongoing basis.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out guidelines to manage interest rate risk, credit risk, and circumstances where it would be appropriate to use financial instruments to manage these risks.

The group does not use derivative financial instruments and as such, no hedge accounting is applied.

Price risk

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature. The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Directors’ report for the year ended 31 December 2013 (continued)

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to a limit, which is reassessed periodically by the finance department.

Liquidity risk

The group finances its operations through a combination of retained profits, new share issues and intercompany loans.

Interest rate cashflow risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at floating bank rates.

To the extent that the group enters into intercompany loan agreements, the group’s exposure to interest risk arises on such loans on which interest is charged at standard HOCHTIEF commercial rates. The group does not participate in interest rate hedging.

Result

The result for the year is set out on page 8.

Dividends and transfers from reserves

The directors do not recommend a dividend for the year ended 31 December 2013 (2012: £nil). The retained profit of £2,776,000 (2012: profit of £1,604,000) has been transferred to reserves.

Employment policies

The group’s policies respect the individual regardless of sex, race or religion. Full and fair consideration is given to applications for employment from disabled people having regard to their paiticular aptitudes and abilities.

It is company policy to ensure the health and safety of employees and visitors. Employees are encouraged to paiticipate in health and safety matters and the group continually seeks to improve safety standards.

Environmental policy

The directors recognise and accept that concern for the environment is an essential part of business strategy and seek to minimise risk to the environment by effective management of the group's resources.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Directors’ report for the year ended 31 December 2013 (continued)

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company’s auditor is not aware; and
2. the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s4l8 of the Companies Act 2006.

By order of the Board

T P Lloyd
Director

Consolidated profit and loss account for the year ended 31 December 2013

	2013 £'000
Turnover	78,102
Cost of sales	(72,498)
Gross profit	5,604
Other operating expenses	(3,296)
Operating profit	2,308
Interest receivable and similar income	72
Interest payable and similar charges	(4)
Profit on ordinary activities before taxation	2,376
Taxation	400
Retained profit for the financial year	2,776

All results derive from continuing operations in both the current and preceding financial years.

Consolidated statement of total recognised gains and losses for the year ended 31 December 2013

	2013 **£'000**
Profit for the year	2,776
Actuarial profit/(loss) on pension scheme	(1,569)
Total recognised gains for the financial year, being total gains recognised since last annual report	1,207

Balance sheets as at 31 December 2013

	2013 £'000
Fixed assets	
Tangible assets	420
Investments	-
	420
Current assets	
Stocks	-
Debtors - due within one year	17,472
- due after one year	533
- deferred tax asset	900
Cash at bank and in hand	10,297
	29,202
Creditors: amounts falling due within one year	(18,368)
Net current assets	10,834
Total assets less current liabilities	11,254
Creditors : amounts falling due after more than one year	(169)
Net assets excluding pension deficit	11,085
Pension deficit	(4,014)
Net assets including pension deficit	7,071
Capital and reserves	
Called up share capital	27,700
Profit and loss account	(20,629)
Total shareholders' funds	7,071

HOCHTIEF
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Epsilon, Windmill Hill Business Park,
Whitehill Way, Swindon SN5 6NX

Tel: +44 (0)1793 755555
Fax: +44 (0)1793 555557

www.hochtief.co.uk