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**VolkerStevin Limited**

**Annual Report and Financial Statements**

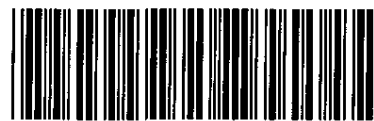
**Registered number: 00288392**

**31 December 2018**

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# VolkerStevin Limited

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## VolkerStevin Limited Company Information

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### Directors

RD Coupe (Managing Director)  
NA Connell  
AR Robertson  
L Taylor  
AR Towse  
MG Woods  
VolkerWessels UK Limited

### Auditor

Deloitte LLP  
Statutory Auditor  
1 New Street Square  
London  
EC4A 3HQ

### Registered Office

Hertford Road  
Hoddesdon  
Hertfordshire  
EN11 9BX

### Trading addresses

The Lancashire Hub  
Preston City Park  
Bluebell Way  
Preston  
PR2 5PE

White Lund Trading Estate  
Morecambe  
Lancashire  
LA3 3BY

Hertford Road  
Hoddesdon  
Hertfordshire  
EN11 9BX

### Registered Number

00288392

### Principal Bankers

Royal Bank of Scotland plc  
135 Bishopsgate  
London  
EC2M 3UR

BNP Paribas Fortis  
10 Harewood Avenue  
London  
NW1 6AA

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2018

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#### Principal activities

VolkerStevin is a national engineering provider with its core activities focussed around civil engineering infrastructure. It provides complex engineering solutions across five principal market sectors; marine, defence, flood and coastal erosion risk management, water and regeneration and land remediation.

#### Business Review

The financial highlights and key performance indicators of the Company are as follows:

#### Financial key performance indicators

	2018	2017
	£000	£000
Revenue	206,977	173,201
Gross profit	9,919	10,861
Gross profit margin	4.8%	6.3%
Operating result	1,080	4,341
Operating result margin	0.5%	2.5%
Net cash	28,921	10,862
Net assets	19,173	19,771
Secured order book	199,381	211,943

The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods adopted, comparative information has not been restated. See Note 2.

Net cash is calculated as cash and cash equivalents less debt. The Company did not have any debt at the end of the year (2017: nil).

#### Non-financial key performance indicators

		2018	2017
<b>Health and wellbeing</b>			
Safety	Accident frequency rate (AFR)	0.03	0.13
	(Number of RIDDOR reportable accidents per 100,000 hours worked)		
<b>Natural environment</b>			
Raw material	Waste diverted from landfill (percentage)	94.0	91.0
CO <sub>2</sub> emissions	Carbon dioxide footprint in kilotons (tonnes/million revenue)	36.4	25.4
<b>People and culture</b>			
Employee engagement	Employee survey score across 4 key engagement metrics	85	84

Trading conditions in the UK remained difficult throughout 2018 with a continued lack of clarity to business around the UK's future relationship with the EU a key factor. In the absence of any certainty of direction in this respect, and an increasingly complex political environment in the UK, investor confidence has weakened and economic growth remained subdued. In response to this economic headwind the Government has remained bullish in its forecasts for investment in infrastructure over the next few years. This provides some comfort to the construction industry, however the speed of key decision making to bring specific project investment forward does not yet appear to be in line with these aspirations in all cases. For further discussion on the risks with regard to the UK's relationship with the EU see the risk section of the strategic report.

The industry has also faced challenges from within this year with several large publicly listed contractors either entering insolvency or having to take urgent action to address high levels of debt on their balance sheets. Whilst these issues have had limited impact on our business, they have quite rightly prompted stakeholders to review industry practices and the adequacy of related regulation, a process which has had, and will likely continue to have, implications for all players in the sector, particularly those that contract with public bodies.

Despite these prevailing conditions, VolkerStevin continued to benefit from its strategy of recruiting and retaining high performing teams, investing in specialist plant and equipment, selective bidding and pursuing quality of earnings to produce strong results in a competitive market. Reputation is very important in the engineering industry and VolkerStevin has developed an excellent reputation in its sectors, through forming strong relationships with leading design consultants and building a significant track record in delivering innovative solutions. This capability is further enhanced by the ability to draw on the design and international experience of other VolkerWessels companies and our long term partners.

# **VolkerStevin Limited**

## **Strategic Report**

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#### **Business Review (continued)**

VolkerStevin delivered a satisfactory profit in 2018 given some of the project challenges during the year within the water sector. This derives from our continued success in delivering quality projects across the various markets in which we work. We anticipate an improvement in 2019 due to the recent award of several frameworks and a strong order book with blue chip clients. Despite the uncertainty in the industry during 2018 following the collapse of Carillion and ongoing Brexit negotiations, we have continued to focus on cash generating opportunities with commensurate levels of risk and reward as evidenced by the growth in our net cash during 2018 which exceeded expectations. We will continue to adopt this prudent approach going forward.

The success of our Safety Ripple behavioural programme has continued to grow, helping us to achieve a record low Accident frequency rate (AFR) of 0.03. Maintaining high levels of engagement has been a continuing priority for the Company; our engagement score increased marginally by a percentage point to 85%. The Company is committed to protecting the environment and making a positive contribution to a more sustainable environment and actively works to minimise the impact on climate change. Our waste separation rate improved in the year to 94% and we will increase our focus on reducing our carbon footprint through development of new approaches and solutions going forward.

We have further invested in upskilling our people and developing our digital strategy to differentiate VolkerStevin as a leading engineering provider. This, coupled with our safety, quality, and environmental behavioural programme, will ensure the continued development of the business.

Although self-delivery is a feature of our success we realise the importance of the supply chain and have embedded key suppliers into our business. Work is awarded on a combination of past performance and current capability. We are proud of our reputation of paying suppliers on or ahead of scheduled payment dates and are members of the contractor's fair payment charter.

In 2018, a substantial volume of our revenues was design and build. To maximise the value from this market the majority of our work has been with just three design houses with whom we have strong and valued relationships based on long-term sustainable relationships.

The company generated revenue of £207.0m for the year, an increase of £33.8m from 2017. The increase was largely due to the Company's excellent reputation in the industry. At a contract level the increase was primarily attributable to the successful award of the Dover Western Docks Revival project at the end of 2016 for the Port of Dover, further growth within the AMP6 Framework with United Utilities and greater volumes delivered through our supporting specialist divisions.

In 2018, we recorded a reduction of Gross Margin to 4.8% (2017: 6.3%) due to project margin challenges in the water sector and timing associated with agreeing additional works. This flowed through to a decreased operating margin of 0.5% (2017: 2.5%). The business will continue with its prudent approach, highly skilled workforce, innovative culture and experienced long term partners and expects a return to 2017 margins or better in 2019.

In addition to a satisfactory operating result performance for the year, the Directors are also pleased to report a strong and robust financial position for the Company at 31 December 2018, with net assets of £19.2m (2017: £19.8m), supported by net cash of £28.9m (2017: £10.9m).

In terms of non-financial key performance indicators we are pleased to be able to report improvement over the prior year across safety, raw materials and employee engagement. In particular, our Accident Frequency Rate which was already in the top quartile of the construction industries best performing contractors reduced to 0.03 for 2018. Employee engagement has improved and we are proud of the level at which our employees feel engaged within our business, as we understand how critical they are to our success. Gains have also been made in waste management with 94% of waste being diverted from landfill, up from 91% in 2017. CO2 emissions were up on 2017 levels largely due to transport and motorised equipment requirements on a number of large projects. For further discussion of non-financial performance indicators in our business please see the Corporate Responsibility and People sections of this report.

#### **Operational review and future developments**

##### **Marine**

VolkerStevin is widely regarded as one of the UK's leading maritime infrastructure providers and undertakes a full range of marine engineering works including jetties, port and harbour infrastructure, marinas, marine piling, quay walls, linkspans, and floating structures. VolkerStevin also takes the lead in this sector on behalf of VolkerWessels UK (VWUK) and coordinates activities with other business units to offer a wider service offering which can include road, rail and building construction.

VolkerStevin has been heavily involved with enabling works associated with the Thames Tideway Tunnel (TTT). Progress has continued on the tunnel's east section, where we have been constructing temporary works that reclaim areas of the river to accommodate the reception and drive pits for the tunnel sites. The works, principally along the river front at Chambers Wharf and King Edward Memorial Park Foreshore, Wapping, involve heavy civil engineering in the river to allow access for the main construction works to follow.

In commercial ports, our flagship Dover Western Docks Revival (DWDR) project, which is one of the largest UK port infrastructure schemes to be built in recent years, is nearing completion. It is being delivered for the Port of Dover in joint venture with dredging partner Boskalis Westminster, and includes the design and construction of two new berths including quay walls and land reclamation as well as a new marina pier, the marina curve, navigation channel and new lock gates, a bascule bridge and capital dredging work.

# **VolkerStevin Limited**

## **Strategic Report**

### **for the year ended 31 December 2018**

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#### **Operational review and future developments (continued)**

##### **Marine (continued)**

Construction work has also been completed at the Port of Felixstowe where we are working in collaboration with VolkerFitzpatrick to deliver the marine works associated with the development of land behind Berth 9, extending the existing container terminal. This continues our relationship with Hutchison Ports UK following the successful delivery of the Berth 9 extension contract which we completed in 2016.

We have identified a number of exciting opportunities in the commercial ports segment that will hit the ground in 2019/20 and beyond, and we continue to take a selective and targeted approach whilst considering our overall business mix and risk profile.

##### **Defence**

VolkerStevin is now viewed as a key supplier to the Ministry of Defence, providing specialist support to maintain, enhance and renew the UK's critical defence infrastructure, including maritime assets, both in the UK and overseas.

Our relationship with the Defence Infrastructure Organisation (DIO) is continuing to develop positively and our portfolio of work, particularly with the Royal Navy, is seeing steady growth. Construction work began on the QEC's second operational berth at Portsmouth Naval Base which will become the new berth for HMS Prince Of Wales, the second of the two carriers built for the Royal Navy. Work also started at Devonport Naval Base to design and construct a new jetty at Thanckes Oil Fuel Depot, which provides fuelling facilities for the Royal Navy. The project will deliver a new jetty with fuel loading and firefighting facilities; the firefighting facilities within the depot will also be replaced. The jetty will be constructed within a Special Area of Conservation on the River Tamar and the project has to comply with stringent environmental regulations. The completed facility will service all of the Navy fuelling requirements at Devonport. Our work to upgrade and improve defence infrastructure of berths at Mare Harbour on the Falkland Islands has been completed and successfully handed back the Royal Navy. The contract involved the design and construction of new berths, providing a facility suitable to cater for the larger POINT Class ships, with roll-on roll-off (RoRo) capability for the Falkland Islands Resupply Ship (FIRS), and forms part of work planned by the DIO over the next decade, to modernise the local military infrastructure and capabilities for the Islands.

In Scotland, we have been appointed as one of three contractors on the DIO's 10 year capital delivery framework at HMNB Clyde which will see major marine infrastructure upgrades at Faslane and Coulport. We are gaining visibility of the forward pipeline and have already been single sourced through the framework to deliver the design and construction of the Glen Mallan Ammunitions Jetty with work starting on site in Q2 2019.

Moving forward, the DIO is reviewing its procurement route options and has signalled its intention to use the Crown Commercial Services (CCS) future Construction Works Framework as the primary source for its future contracts and, in readiness during 2018, we have been developing our strategy in collaboration with other VWUK sister companies.

We are also looking to broaden our portfolio of work in the defence sector both in our own right and in collaboration with external partners and, our focus is on delivering capital works schemes

##### **Flood and coastal defence**

VolkerStevin has significant experience in the construction of flood defence projects throughout the UK in both urban and rural areas. Flood and coastal defence projects include sheet pile and reinforced concrete flood walls, earth embankments, river re-alignment, habitat and wetland protection and creation, de-mountable flood protection systems, lock gate installation and refurbishment, hard and soft landscaping and mechanical, instrumentation and electrical works.

Alongside joint venture partners Boskalis Westminster and Atkins trading as VBA Joint Venture Limited, we are one of six Asset Delivery Partners for the Environment Agency's (EA) Water and Environment Management (WEM) framework in Lot 4 Asset Delivery. The initial four year framework, which was extended for a further 2 years until July 2019, focuses on reducing the risk of river and coastal flooding, as well as securing social and environmental improvements across England and Wales. The WEM framework is our third term as a framework contractor to the Environment Agency and demonstrates our industry-leading position in the flood and coastal sector. We have numerous projects on the ground at any one time, from feasibility studies through to construction.

##### **Water**

We provide a full range of civil engineering, mechanical, electrical and instrumentation services for both clean water and effluent treatment. These services include new build, refurbishment and extension works to water treatment plants, effluent treatment plants, UIDs and outfalls on a civils-only, civils/ Mechanical, Electrical, Instrumentation, Control & Automation (MEICA) and MEICA-only basis.

# **VolkerStevin Limited**

## **Strategic Report**

### **for the year ended 31 December 2018**

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#### **Operational review and future developments (continued)**

##### **Water (continued)**

Our AMP6 framework with United Utilities (UU) continued during 2018, recognising the usual end of AMP cycle ramp down. C2V+, a VolkerStevin and Jacobs joint venture was appointed as one of UU's Construction Delivery Partners (CDP) on a framework that runs through to 2020, with the option to extend further to 2026. The AMP6 contract is a design and construct framework and covers the full spectrum of works for both clean water and waste water. It comprises a wide range of multidisciplinary activities including design, project management, construction, maintenance of water & waste water treatment works, pipelines, pumping stations, reservoirs and mechanical and electrical installations.

During 2018, we worked on several projects including flagship schemes at Anchorsholme Park on the Fylde coast and Morecambe Wastewater Treatment works (Wwtw) in Lancashire.

Anchorsholme Park Phase 2 has continued successfully throughout 2018. It is a major project just north of Blackpool in Lancashire aimed at reducing the number of discharges into the sea. It involves the design and construction of connections to the existing long sea outfall, including an underground pumping station, storm water chamber and weir chamber, along with extensive MEICA installations.

Work at Morecambe Wwtw has also progressed well during the year and involves delivering a major wastewater treatment system upgrade within the Morecambe Bay catchment area. Our responsibilities include the design, procurement, construction, commissioning and testing of two new large storm water storage tanks at Middleton and the installation of new pumps at the Schola Green Pumping Station, in Morecambe town centre. We are also installing a 6km x 700mm diameter rising main between the sites and inland outfall pipeline.

We have experienced some challenges on completing the Oswestry Waste Water Treatment Upgrade during the year which is reflected in the reduced gross margin reported. This does not have an impact on our plan to continue development in the water sector building on our AMP6 CDP experience with UU with further growth into AMP7 for both UU and other water companies where we would like to be delivering both frameworks and specific projects in the future.

The Ipswich tidal barrier, one of our most high profile projects delivered through the WEM framework, was successfully handed over to the EA at the end of 2018. The scheme involved the design, construction and installation of a 30m wide tidal barrier gate, construction of piled flood defence walls on either side of the barrier, a MEICA control building, the installation of mechanical and electrical equipment, flood gates on the east and west banks within the flood walls, scour protection and landscaping works. 2018 also saw another major project award from the EA, the Oxford flood alleviation scheme. It is one of the biggest flood schemes in the country, second only to the River Thames Scheme planned for further down the River Thames. Construction will start in 2019 and is expected to take around 3 years.

Our flood and coastal sector strategy involves maintaining a good blend of EA work with projects for other customers including local authorities and developers. In 2018, we have been working on schemes at Morecambe and Lytham in Lancashire, Lincolnshire Lakes in North Lincolnshire and Strood Riverside in Medway. Early work also began on schemes secured on the River Lune in Lancaster for Lancaster City Council and at Three Mills on the River Thames for London Legacy Development Corporation.

We are also one of three companies on National Grid's Substation Flood Defence Framework which involves designing and constructing flood defences to its most critical assets across the UK. This recently extended framework involves us protecting National Grid assets such as substations and power distribution centres which are located in flood risk areas and local flood plains.

##### **Regeneration and land remediation**

We also apply our wide range of engineering and business capabilities and technical skills to the challenge of the reclamation, remediation and regeneration of derelict and contaminated land. Examples are sustainable communities, remediation of contaminated land, waterside renaissance and flagship regeneration projects.

Clean up and new infrastructure work was recently completed at the Avenue Coking Works at Chesterfield, recognised as one of Europe's most contaminated sites. The project received the 'Judges Special Award' at the 2018 Brownfield Briefing Awards. There has only been one other special award in the 14 year history of the awards and the judges said: "It was an example of a long term, large scale, technically and logistically complex project to unlock a fenced-off highly contaminated site which has been used as an exemplar since inception involving thermal desorption, ex-situ bioremediation and waste sorting. Many lessons have been learned as it progressed, and it has provided valuable practical experience for many in the industry".

These works have been ongoing since 2007, and we will continue to focus on major long term Government backed industrial regeneration schemes that allow us to bring our skills and learning developed while delivering this highly complex project.

# **VolkerStevin Limited**

## **Strategic Report**

### **for the year ended 31 December 2018**

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#### **Operational review and future developments (continued)**

##### **Trenchless or 'No Dig' Solutions**

In 2018, VolkerTrenchless Solutions (VTS) was launched to explore the UK Horizontal Directional Drilling (HDD) market. VTS is a collaboration between Dutch sister company Visser & Smit Hanab (VSH), and VolkerStevin. VSH is a global specialist in underground pipelines and cable infrastructure with market leading engineering expertise in HDD. VSH and VS have been working in partnership for over 30 years and have recognised an opportunity to strengthen the relationship and grow the UK HDD market together.

The team secured a major HDD contract with Scottish Power Renewables for the landfall and onshore cable routes associated with East Anglia 1, a UK offshore wind farm. The contract is one of the largest and most complex HDD project's to be delivered in the UK and was successfully completed at the end of 2018.

Further growth is expected in 2019 and beyond with a number of similar opportunities in the renewable energy sector identified and a push into new markets including water and utilities.

##### **Secured order book**

The outlook for the business is positive as it continues to concentrate on its core activities with experienced management in place, backed by a sound financial position. The business expects a significant proportion of its turnover to be awarded through long term frameworks and will continue to be selective on external market opportunities, managing a balanced pipeline of identified schemes.

At 31 December 2018 the secured order book stood at £199.4m. This represents a small increase of £12.5m in secured work since last year due to a number of significant contracts in the pipeline at the end of the prior year, and continues to illustrate the ongoing strength of our pipeline.

##### **Going concern**

Given the Company's net cash position and the strength of the secured order book, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date of signing the financial statements (see note 2.3 for further details).

##### **Recognition of our success**

We are always delighted when our project teams and business are recognised by our industry, and in 2018 we received a number of awards and commendations including:

- RoSPA Gold (4th consecutive year) and two CEEQUAL awards, as follows:
  - CEEQUAL: Whole Team - Excellent Award (76.5%) - Colwyn Bay Waterfront Phase 2
  - CEEQUAL: Whole Team - Very Good Award (66.5%) - Portsmouth QEC Berths
- 42 United Utilities WOW! Awards



# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2018

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#### Corporate responsibility

We are committed to maintaining the highest standards of health and safety, sustainability and integrity throughout all our business activities.

#### Health and safety

Central to our corporate responsibility approach is having a culture where our people consistently demonstrate the right behaviours and apply best practice, especially as it relates to health and safety. We continually strive to prevent work related injuries and the ill health of our employees and anyone associated with our activities, while also improving their wellbeing. We maintain the right culture, combined with effective systems, to deliver quality projects in a safe and sustainable manner.

Well established behavioural programmes have enabled our workforce, employees and supply chain to actively engage in maintaining a safe working environment; introducing a range of proactive and preventive improvements to how we conduct our operations. The success of our Safety Ripple behavioural programme has continued to grow, helping us to achieve an outstandingly low AFR of just 0.03 and a fourth consecutive RoSPA Gold Award. We have trained an ever growing number of Safety Champions, and rolled out our 'Play it Safe' initiative to all sites to encourage operatives to identify and self-monitor safe behaviours. We have made our Senior Manager Tours more interactive and focused on behaviours, rather than what was previously a 'box ticking' exercise. We are becoming increasingly focused on our responsibilities around the wellbeing of employees.

In 2018 we achieved significant, and our most successful, reductions across the range of safety performance indicators. These results reflect our lowest recorded year-end safety results and our best safety performance to date, well below industry averages.

Maintaining the mental and physical health of employees is the cornerstone of our occupational health strategy, delivered through a directly employed occupational health team. In addition to health surveillance, we place particular focus on raising awareness and the importance of maintaining good mental health. This includes training for line managers and supervisors on tackling health risks specific to construction while providing any support and guidance required. Volunteer Mental Health Champions from site and office teams have been provided with two days of training in how to help their colleagues who may be struggling with stress, anxiety or personal problems, and our monthly programme of targeted wellbeing initiatives continues to go from strength to strength in providing advice on diet, work/life balance and exercise.

#### *Relevant statistics – health and safety*

- Accident frequency rate (AFR) of 0.03, representing a reduction of 77% since 2017
- 79% reduction in Accident Incidence Rate (AIR) to 64
- 52% reduction in Minor Injury Frequency Rate to 0.78
- 54% reduction in All Reported Injury Rate (ARI) to 0.8
- RoSPA Gold Award for the 4<sup>th</sup> year running
- Service Strike Rate of 0
- 64% increase in the number of near misses reported, capturing over 9500 during 2018

#### Sustainability

Our business strategy seeks to ensure ongoing environmental, social and business sustainability. Construction has a significant effect on the environment. We continually strive to be as socially and environmentally responsible as possible, maximising opportunities for enhancement and mitigating adverse impacts on the environment.

#### *Areas of focus:*

- Carbon: Reduce our carbon emissions year on year by focusing on resource efficiency across our activities, and seeking carbon reductions within our construction operations by increasing our commitment to lower carbon solutions
- Energy: Continually improve the energy efficiency of our activities, goods and services through a more sustainable use of electricity and fuel. This includes the promotion of alternative specifications and technologies to influence energy efficiency in the structures we design and build, and the use of more energy efficient methods of transportation
- Biodiversity: We play our part in the prevention of overall habitat and species loss, habitat fragmentation and disturbance by protecting and enhancing the ecosystems affected by our activities
- Waste: Reduce the amount of waste we produce from our activities, with a particular focus on the prevention of construction, demolition and excavation waste sent to landfill
- Water: We commit to eliminating the unnecessary and improper use of water (potable and non-potable) in addition to influencing improved water efficiency of the structures we design and build

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2018

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#### Corporate responsibility (continued)

#### Sustainability (continued)

We maintain clearly defined management systems, interfaces and responsibilities that are understood and accepted by all our people and those working with us. It is imperative we maintain a systematic approach to improving business performance in order to achieve our objectives. This includes managing and optimising our activities, to make our processes more effective, more efficient and more capable of adapting to an ever changing business environment.

#### *Relevant statistics - sustainability*

- Planet Mark™ Certificate achieved for the 7th year running for continuous improvement in sustainability from Planet First, an international sustainability certification organisation
- 94% of waste diverted from landfill
- Associate Member of Considerate Constructors Scheme (CCS) with average score of 41.27 out of 50 across our projects in 2018
- 4 Considerate Constructors Scheme (CCS) Awards

#### Integrity

Integrity is of paramount importance to us and is one of our core values.

Every one of our employees and those who work closely with us are accountable. We expect our people to be open and honest, to run our business ethically and to be morally strong. Long term success is dependent on the recruitment, development, wellbeing and retention of exceptional people that share the right core values and culture.

Our decision making is linked to ethical values, compliance with corporate, legislative and other requirements, and we are always prepared to seek further improvements.

We have a zero tolerance attitude towards fraud and unethical behaviour. We consistently maintain effective oversight and scrutiny processes, carried out with independence and impartiality. This is supported by a full suite of policies to ensure that all our activities are conducted to the highest ethical standards.

#### Giving back to the community

Our offices and sites work actively to become part of the communities in which they work. We respect people and their local environment. Our aim is to add value to our society, inspire others and support colleagues, clients and suppliers in their own efforts to share time, skills and resources in their chosen way.

Our dedicated customer experience team engages with communities across the country to minimise the impact of our construction works and maximise the social value we add. Over 1,400 local residents have visited our Customer Visitor Centres in 2018 to meet our project teams, see how works are progressing by viewing the latest aerial photography, or simply have a brew and a chat. At our Anchorsholme Park centre in Lancashire, residents can step inside a virtual reality world to see what the finished pumping station and park landscape will look like.

Our recently launched Community Fund commits £10,000 each year to support local charities, community events and societies. Our customer experience team has organised coffee mornings, 10km runs, golf days and food bank drops for local charities. The coffee mornings alone raised £3,500 for MacMillan Cancer Care. They have led volunteer groups from our project teams in enhancing the local communities in which we work, for example by carrying out beach cleaning and litter picking days, and engaged local school and community groups through poster competitions and safety talks.

We provide careers advice and support to local schools and higher education facilities, to encourage more people into the wide range of careers construction has to offer.

We are also committed to working with established industry-based charities that utilise our expertise as engineers and contractors like the work we do with CRASH in the UK. We also support building projects embarked on by Operation Raleigh in third world countries.

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2018

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#### Risk management

Risk management is one of the key foundations of our governance and we actively identify and manage our risks in all areas across our business and operations. In particular, we work very closely with our clients at both pre and post contract stages to ensure that risks are understood, managed and clearly apportioned, which is the bedrock of any successful project business. We operate professional and responsible risk management to all financial, commercial, operational and contractual aspects of the delivery of construction projects and oversight of our company.

#### Health, safety and quality

##### *Risk and Impact*

We recognise that we have a duty of care for the health, safety and welfare of our employees and those that may be affected by our activities.

The risk is that the nature of our construction activities could cause harm to our employees and other stakeholders through injuries, health implications, damage and financial loss. This in turn can lead to reputational damage and enforcement action.

##### *Mitigation*

- Culture, policy and strategy established by effective leadership
- Clearly defined management systems, registered to ISO standards
- Interfaces and responsibilities that are understood and accepted by all
- Board level focus on all HSEQ matters
- Behavioural programmes and Health and well-being programmes
- Corporate governance, Inspection and audit

#### People, culture and values

##### *Risk and Impact*

Our success is dependent on the recruitment, development, wellbeing and retention of our exceptional people who share our core values and culture.

The risk is that we are unable to recruit or retain adequate high quality resources to deliver our programmes.

##### *Mitigation*

- Board level focus on all people matters to ensure a diverse and inclusive culture
- Succession Planning to ensure strong talent pipeline
- Investment in learning and development and new Learning Management System
- Co-ordinated Graduate and Apprenticeship programmes
- Senior leadership and development programmes
- Employee survey to obtain regular feedback

#### Pre-construction

##### *Risk and Impact*

It is our vision to lead the Industry in our approach to project risk management which starts at the pre-construction stage.

Failure to identify, estimate and manage accurately the key risks associated with the project deliverables, programme, price including the impact of inflation, and the contractual terms could result in financial losses.

##### *Mitigation*

- Systematic review and challenge of the quality of our submissions and pricing
- Forum group reviewing current processes and implementing additional/improved systems where required
- Focused, risk based approach to tendering
- Defined delegated authority levels for approving all tenders
- Listening to our clients to meet and exceed their expectations in all areas
- Ensuring lessons learnt applied through tender review processes

#### Engineering and operational delivery

##### *Risk and Impact*

Successful delivery of our complex engineering and construction projects is dependent on the effective implementation and maintenance of operational and commercial procedures and controls.

Failure to deliver projects on time, budget and to an appropriate quality could result in contract disputes and cost overruns which in turn will impact our profitability and reputation.

##### *Mitigation*

- Recruitment and retention of capable people and supply chain
- Procure quality components through sustainable and ethical sourcing
- Deliver projects that demonstrate excellence in design and construction
- Ensure high quality standards through audit and application of lessons learnt
- Appropriate insurance policies in place

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2018

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#### Risk Management (continued)

<i>Environmental</i>	
<i>Risk and Impact</i>	<i>Mitigation</i>
<p>We are very aware that construction has a significant effect on the environment and the communities in which we work. Adverse impacts on the environment and breaches of legislation can lead to environmental harm, reputational damage and enforcement action.</p> <p>We take our responsibility seriously in respect of limiting the environmental impact of the work we do, and, whilst we consider the impact minimal in the context of our business, this includes any potential impact on climate change.</p> <p>We assess the environmental aspects of our activities, products and services that we can control and those that it can influence, and their associated impacts, considering a life cycle perspective. VW UK recognises the importance of mitigating our adverse impacts on the environment. An environmental condition that can affect the organisation's activities, products and services can include, for example, climatic temperature change.</p>	<ul style="list-style-type: none"> <li>• Culture, policy and strategy established by effective leadership</li> <li>• Board level focus on all environmental matters including monitoring of environmental KPIs such as carbon footprint, energy consumption and waste</li> <li>• Our integrated management system encompassing procedures for the protection of the natural environment</li> <li>• Our corporate responsibility framework and the setting of sustainability goals facilitates our responsible attitude towards playing our part in protecting the ecosystems in which we work and wherever possible enhancing the environment in which we work and live</li> <li>• Maintenance of an environmental management system which assesses environmental conditions which may affect our activities at both fixed offices and our construction projects</li> <li>• Interfaces and responsibilities that are understood and accepted by all, supported by behavioural programmes, inspection and audit</li> </ul>
<i>Systems and processes</i>	
<i>Risk and Impact</i>	<i>Mitigation</i>
<p>We are dependent on the quality of our processes, controls and systems as well as the continued availability and integrity of IT systems to record and process data</p> <p>Failure to control, manage and invest in our systems and processes including the IT environment will result in us not meeting the future needs of the business in terms of expected growth, security and innovation</p>	<ul style="list-style-type: none"> <li>• Continue investing in systems and processes that enable efficient and effective operations</li> <li>• Clearly defined management systems, interfaces and responsibilities that are understood and accepted by all</li> <li>• Monitor and control all aspects of IT systems access and performance</li> <li>• Appropriate contingency plans to mitigate risk of systems loss</li> <li>• Regular review and testing of data security controls</li> </ul>
<i>Adequacy of insurance</i>	
<i>Risk and Impact</i>	<i>Mitigation</i>
<p>We maintain appropriate insurance programmes to mitigate against significant losses in line with general industry practice.</p> <p>Lack of adequate insurance cover could result in potential financial loss or penalties.</p>	<ul style="list-style-type: none"> <li>• Suitable arrangements exist to underpin and support the operations and services</li> <li>• Regular review of our position with our broker and insurers to ensure that the optimum cover is in place</li> </ul>
<i>Financial risk</i>	
<i>Risk and Impact</i>	<i>Mitigation</i>
<p>It is essential to fully understand the financial position of our partners in all of our contractual relationships.</p> <p>Failure of our partners including financial institutions, customers, joint-venture partners and our supply chain could potentially affect short-term cash flows.</p>	<ul style="list-style-type: none"> <li>• Due diligence including credit reviews of our clients, supply chain partners and other stakeholders</li> <li>• Insure credit where appropriate to do so</li> <li>• Procedures to monitor and forecast cash flow</li> <li>• Committed credit facilities to ensure we have adequate cash when required</li> </ul>
<i>Fraud</i>	
<i>Risk and Impact</i>	<i>Mitigation</i>
<p>Our Integrity Policy covers all aspects of ethical behaviour ensuring that all of our employees and supply chain are open and honest, our business ethically and morally strong and each of us is accountable.</p> <p>Damage to the reputation of the business through poor conduct and acts of fraud, bribery, corruption, or anticompetitive behaviour can all adversely impact corporate reputation and financial loss.</p>	<ul style="list-style-type: none"> <li>• Board Level Compliance Officer</li> <li>• Specific preventative and review controls, reviewed regularly by the Board</li> <li>• Zero tolerance attitude towards fraud and unethical behaviour</li> <li>• Integrity clearly stated as one of our core values</li> <li>• Compulsory training programmes for different levels of the organisation</li> </ul>

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2018

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#### Risk Management (continued)

<i>Risk and Impact</i>	<i>Political, market and economic risk</i>	<i>Mitigation</i>
<p>Political, market and economic factors play a significant part in investment decision making for our clients as well as pricing and availability of our supply chain and other partners.</p> <p>Changes in the economic environment, government policy and regulatory developments may impact on the number of new projects in the market, and the cost of delivering those projects, which in turn may impact on the profitability and cash flow of the business.</p>	<ul style="list-style-type: none"> <li>Regular reviews to ensure that we are not overly exposed to any one aspect of market risk and appropriately responding to changes in legislation and policy</li> <li>Actively engage with our industry peers, financial partners, clients and supply chain to ensure that we are aware of, and anticipating, changes in our market and the economy</li> </ul>	

<i>Risk and Impact</i>	<i>Risk due to the potential change in the UK's EU status</i>	<i>Mitigation</i>
<p>The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets. A no deal Brexit scenario could influence consumer confidence, which in turn could affect and lead to lower sales volumes.</p> <p>Specific risks include:</p> <ul style="list-style-type: none"> <li>the potential for increased material costs as a result of exchange rate differences on materials imported;</li> <li>potential delays to construction programmes from delays in acquiring and receiving materials;</li> <li>skill deficiencies arising from difficulties in obtaining EU workers within the supply chain.</li> </ul> <p>We have reviewed the potential impacts and consider that we have sufficient mitigations in place.</p>	<ul style="list-style-type: none"> <li>The UK Board is actively monitoring the potential impact of the UK exiting the EU including the potential for market stimulation by the UK government, freedom of movement of labor, impact on the supply chain and commodity prices and we will adapt our strategy if necessary</li> <li>The strength of the overall orderbook should enable the mitigation of any short-term uncertainty impacting on tender delays</li> <li>The British Government continues to see infrastructure as the foundation on which the economy is built, and the pipeline across general infrastructure, energy, water and transport sectors is expected to generate significant growth across the UK. This creates extensive opportunities for our business, which is well positioned in a number of key infrastructure sectors</li> </ul>	

#### Our people

At VolkerStevin, people are critical to our success. We pride ourselves on having a strong culture of commitment, dedication and hard work; demonstrated through the high level of skill and expertise we have as an organisation.

We are passionate about development and enabling growth for everyone at all levels of their experience with us. It is with this in mind that we aspire to become a learning organisation and as such we have made a significant investment in development throughout the year including further developing our new Learning Management System.

Strategically our values align us and inform on how we need to work to achieve success. We have seen our teams become fully integrated and this has influenced the services we provide to our clients.

#### A clear strategy for people

VolkerStevin people have consistently been performing well. To maintain this we are improving all areas related to our staff and their performance. Our strategy therefore focuses on four main drivers - recruitment, employee development, retention and performance. Our Employer of Choice strategy aims to ensure we are market leaders.

#### Developing and retaining our people

We have improved our learning and development processes to build up skills internally and throughout 2018 have increased our investment to maintain this and grow. There is a real business opportunity for us as we make improvements to keep our people professionally trained, skilled and knowledgeable to work successfully in the industry. Our new on-line performance and development review process has helped to align learning and development resources most effectively.

In order to encourage the right behaviours and to achieve our priorities, we have developed a set of core behavioural and technical competencies. The programme enables a better way of measuring performance and ensures that our people are competent to work at all levels. It identifies the key areas to be developed and ensures our staff are better engaged and encouraged to move forward with their careers. This year, we introduced a new electronic development and performance review system within our learning management system (LMS) to support this and to provide the tools we need to deliver improved learning and knowledge sharing across all disciplines within our business.

# **VolkerStevin Limited**

## **Strategic Report**

### **for the year ended 31 December 2018**

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#### **Our people (continued)**

##### ***Developing and retaining our people (continued)***

The wide range of disciplines across all VolkerWessels UK businesses provides an opportunity for new talent to gain experience on a variety of exciting projects. We actively promote opportunities internally to make sure team members gain the right experience on some of the largest infrastructure projects in the country.

We work closely with industry based educational organisations such as the Construction Industry Training Board (CITB), Chartered Institute of Building (CIOB) and the Institute of Civil Engineers (ICE) to help our people achieve professional accreditation. Through these relationships we are able to identify the right work placement candidates, apprentices and graduates who are in the process of getting qualified. Many of these individuals ultimately work with us permanently.

##### ***Engagement and values***

The level of engagement amongst our staff is important to us, we recognise that engaged people are more productive and loyal. Across VolkerStevin we have embedded our values and approach to work, and results from our employee engagement survey indicate that we are on the right track.

##### ***Relevant statistics - Engagement and values***

- 92% of employees are proud to work at VolkerStevin

##### ***Equality, diversity and inclusion***

VolkerStevin is committed to creating a diverse and inclusive environment for all those we work with: our dedicated and ambitious people, our supply chain and partners, our clients and local stakeholders. We are proud of who we are and the inclusive way we work, with a collective goal to provide quality and add value to our clients.

We understand that a diverse workforce is key to the future of our business and our focus is on building valuable experienced teams and attracting a diverse pool of talent.

##### ***Equality, diversity and inclusion for us is:***

- Making sure every one of our current and future employees feel welcome, valued and respected and are motivated to perform at their personal best
- Creating high performing teams by bringing together different opinions and perspectives to deliver better solutions for our clients and opportunities for our people and our organisation
- Driving continuous improvement processes to maintain and enhance a diverse and inclusive environment
- Embedding a culture of diversity and inclusion through consistent key messages across our business
- Encouraging and attracting people from all ages and backgrounds through local and national recruitment in addition to engaging in education, graduate and apprenticeship programmes.

##### ***Future skills, new talent***

VolkerStevin recognises the challenges in the industry to fill the skills gap, especially as the government's infrastructure plan is initiated. Our response is to continue our apprentice and graduate programmes, developing early careers in the industry to support the next generation of engineers and other team members.

We support the Careers and Enterprise Company and other similar organisations, providing volunteered help and advice to a number of schools and colleges to promote engineering and construction careers and raise awareness.

Investing in early careers is important to us and we see apprenticeships, work placements and the graduate scheme as a central part of our future skills and talent strategy. We are fully engaged and offer a variety of opportunities aligned to their specialist skillset. VolkerWessels UK group is part of the 5% club which demonstrates our commitment to ensuring a minimum of 5% of our workforce are apprentices, placement students or graduates on formal training programmes. Our experienced managers also offer mentoring, and coaching, enabling the sharing of a wealth of knowledge and experience in engineering and construction.

## VolkerStevin Limited

### Strategic Report

### for the year ended 31 December 2018

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#### Supply chain management


Supply chain management is an integral part of VolkerStevin Limited's commitment to offering our clients a quality service. We establish mutually rewarding, ongoing relationships with our suppliers and sub-contractors and work with many organisations with which we have a long and successful history of co-operation. Our supply chain partners are thoroughly assessed against a number of criteria including health & safety performance, design and technical capability, financial strength and ethical working practices.

VolkerStevin Limited, as part of the VolkerWessels UK Group, is a signatory to the Prompt Payment Code sponsored by the Department for Business, Energy & Industrial Strategy. As a signatory we undertake to:

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

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

By order of the Board

  
RD Coupe  
Director

26/7/19

VolkerStevin Limited  
Company registered number: 00288392

Hertford Road  
Hoddesdon  
Hertfordshire  
EN11 9BX

# **VolkerStevin Limited**

## **Directors' Report**

### **for the year ended 31 December 2018**

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The Directors present their annual Directors' Report and audited financial statements for the year ended 31 December 2018.

#### **Dividends**

The Directors do not recommend the payment of a final dividend (2017: £nil). An interim dividend of £nil was paid during the year (2017: £nil).

#### **Directors**

The Directors who held office during the year and to the date of signing this report were as follows:

RD Coupe  
NA Connell  
AR Robertson  
L Taylor (appointed 2 July 2018)  
AR Towse  
MG Woods  
VolkerWessels UK Limited

#### **Directors' indemnities**

The Company has arranged qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

#### **Employees**

The Company is an equal opportunities employer.

The culture of the Company ensures that staff are trained to very high standards with each individual's technical and development skills continually being reviewed and enhanced. This culture has ensured that the Company has the management skills available to maintain growth underpinned by a robust internal promotion scheme.

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

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, whenever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitude and abilities.

#### **Political and charitable contributions**

The Company made knowledgeable charitable donations amounting to £768 (2017: £600). The Company made no knowledgeable political donations in 2018 (2017: £nil).

#### **Other disclosures**

Disclosures in respect of the future developments of the Company and going concern are given in the Strategic Report. Information on financial instruments, financial risk management and exposure is given in note 19 of the financial statements.



**VolkerStevin Limited**  
**Directors' Report**  
**for the year ended 31 December 2018**

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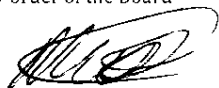
**Disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves 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 s418 of the Companies Act 2006.

**Auditor**

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

By order of the Board



**RD Coupe**  
Director

26/7/19

VolkerStevin Limited  
Company registered number. 00288392

Hertford Road  
Hoddesdon  
Hertfordshire  
EN11 9BX

## **VolkerStevin Limited**

### **Directors' Responsibilities Statement**

### **for the year ended 31 December 2018**

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

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

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

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

# Independent Auditor's Report to the members of VolkerStevin Limited for the year ended 31 December 2018

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## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of VolkerStevin Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# **Independent Auditor's Report to the members of VolkerStevin Limited for the year ended 31 December 2018**

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters

### **Use of our report**

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.



**Makhan Chahal ACA (Senior Statutory Auditor)**  
**for and on behalf of Deloitte LLP**  
Statutory Auditor  
London, United Kingdom

26 July 2019

**VolkerStevin Limited**  
**Income Statement**  
**for the year ended 31 December 2018**

	<i>Note</i>	<b>2018</b> <b>€000</b>	<b>2017</b> <b>€000</b>
<b>Revenue</b>	<b>3</b>	<b>206,977</b>	173,201
Cost of sales		<b>(197,058)</b>	(162,340)
<b>Gross profit</b>		<b>9,919</b>	10,861
Administrative expenses		<b>(8,839)</b>	(6,520)
<b>Operating result</b>	<b>4</b>	<b>1,080</b>	4,341
Financial income	<b>7</b>	<b>33</b>	-
Financial expense	<b>8</b>	<b>(354)</b>	(907)
<b>Profit before tax</b>		<b>759</b>	3,434
Taxation	<b>9</b>	<b>(146)</b>	(782)
<b>Profit for the year</b>		<b>613</b>	2,652

All results derive from continuing operations.

The notes on pages 24 to 55 form an integral part of the financial statements.

The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods adopted, comparative information has not been restated. See Note 2.

**VolkerStevin Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 December 2018**

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	<i>Note</i>	<b>2018</b> <b>£000</b>	2017 £000
Profit for the year		<b>613</b>	2,652
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial (losses)/gains on defined benefit pension plans	17	<b>(348)</b>	68
Tax recognised on actuarial gains / (losses)	9	<b>59</b>	(12)
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<b>(289)</b>	56
<b>Total comprehensive income for the year</b>		<b>324</b>	2,708

The notes on pages 24 to 55 form an integral part of the financial statements.

The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods adopted, comparative information has not been restated. See Note 2.

**VolkerStevin Limited**  
**Statement of Financial Position**  
**as at 31 December 2018**

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Non current assets</b>			
Property, plant and equipment	10	366	425
Investments	11	-	-
Trade and other receivables	13	6,752	6,798
Deferred tax assets	12	600	686
		<b>7,718</b>	<b>7,909</b>
<b>Current assets</b>			
Trade and other receivables	13	25,474	39,570
Contract assets	3	20,259	-
Tax receivables		685	387
Cash and cash equivalents	14	28,921	10,862
		<b>75,339</b>	<b>50,819</b>
<b>Total assets</b>		<b>83,057</b>	<b>58,728</b>
<b>Equity</b>			
Share capital	18	8,000	8,000
Retained earnings		11,173	11,771
<b>Total equity</b>		<b>19,173</b>	<b>19,771</b>
<b>Non current liabilities</b>			
Trade and other payables	15	2,845	2,220
Employee benefits	17	1,583	1,679
		<b>4,428</b>	<b>3,899</b>
<b>Current liabilities</b>			
Trade and other payables	15	57,049	35,058
Contract liabilities	3	2,106	-
Provisions	16	301	-
		<b>59,456</b>	<b>35,058</b>
<b>Total liabilities</b>		<b>63,884</b>	<b>38,957</b>
<b>Total equity and liabilities</b>		<b>83,057</b>	<b>58,728</b>

These financial statements were approved by the Board of Directors on

and were signed on its behalf by:

  
RD Coupe

Director

Company registered number: 00288392

The notes on pages 24 to 55 form an integral part of the financial statements.

The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods adopted, comparative information has not been restated. See Note 2.

**VolkerStevin Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2018**

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	8,000	9,063	17,063
<b>Comprehensive income</b>			
Profit for the year	-	2,652	2,652
Actuarial gain on defined benefit pension plans, net of tax	-	56	56
<b>Total comprehensive income</b>	-	2,708	2,708
<b>Balance at 31 December 2017</b>	<b>8,000</b>	<b>11,771</b>	<b>19,771</b>
Adjustment on initial application of IFRS 15, net of tax	-	(922)	(922)
Balance at 1 January 2018	8,000	10,849	18,849
<b>Comprehensive income</b>			
Profit for the year	-	613	613
Actuarial loss on defined benefit pension plans, net of tax	-	(289)	(289)
<b>Total comprehensive income</b>	-	324	324
<b>Balance at 31 December 2018</b>	<b>8,000</b>	<b>11,173</b>	<b>19,173</b>

The notes on pages 24 to 55 form an integral part of the financial statements.

The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods adopted, comparative information has not been restated. See Note 2.



**VolkerStevin Limited**  
**Cash flow Statement**  
**for the year ended 31 December 2018**

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Cash flow relating to operating activities</b>	<b>20</b>	<b>18,115</b>	<b>4,549</b>
Interest paid		<b>(318)</b>	<b>(857)</b>
Tax received		<b>291</b>	<b>714</b>
<b>Net cash from operating activities</b>		<b>18,088</b>	<b>4,406</b>
<b>Cash flows relating to investing activities</b>			
Proceeds from sale of plant, property and equipment		<b>-</b>	<b>2</b>
Interest received		<b>33</b>	<b>-</b>
Acquisition of plant, property and equipment	<b>10</b>	<b>(62)</b>	<b>(123)</b>
<b>Net cash used in investing activities</b>		<b>(29)</b>	<b>(121)</b>
<b>Net increase in cash and cash equivalents</b>		<b>18,059</b>	<b>4,285</b>
Cash and cash equivalents at 1 January		<b>10,862</b>	<b>6,577</b>
<b>Cash and cash equivalents at 31 December</b>	<b>14</b>	<b>28,921</b>	<b>10,862</b>

The notes on pages 24 to 55 form an integral part of the financial statements.

The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods adopted, comparative information has not been restated. See Note 2.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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#### 1 General information

The Company is incorporated and domiciled in the UK. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

#### 2 Accounting policies

##### 2.1 Basis of preparation

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

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

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 2.20.

##### 2.2 Measurement convention

The financial statements are prepared on the historical cost basis except for certain financial instruments and pension assets and liabilities which are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

##### 2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of the Strategic Report on pages 2 to 13. In addition, note 19 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk, market risk and liquidity risk.

The Company meets its day-to-day working capital requirements through the group treasury management provided by VolkerWessels UK Limited. See note 19 (c).

Given the Company's net cash position and the strength of the secured order book, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date of signing the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### 2.4 Jointly controlled operations

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

##### 2.5 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency (Pounds Sterling) at the foreign exchange rate ruling at the date of the transaction, unless the transaction has been hedged, in which case the transaction is translated at the contracted foreign exchange rate. Monetary assets and liabilities denominated in foreign currencies at the year-end are retranslated to the functional currency 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.

##### 2.6 Property, plant and equipment

Property, plant and equipment ("PPE") are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of PPE have different useful lives, they are accounted for as separate items of PPE. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. Land is not depreciated. The estimated useful lives are as follows:

Plant, machinery and vehicles:	3-10 years
Buildings:	10-50 years

Depreciation methods, useful lives and residual values are reviewed at each year-end.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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## 2 Accounting policies (continued)

### 2.7 Operating leases

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

### 2.8 Employee benefits

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior years: that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the year-end on AA credit rated bonds denominated in the currency of, and having maturity dates approximate to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

### 2.9 Contract assets and contract liabilities ("Construction contract debtors" and "amounts due to customers for contract work" under IAS 11)

Contract assets represent the Company's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

Contract liabilities are the Company's obligations to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

Under IAS 11 (applicable before 1 January 2018) construction contract debtors (contract assets) and amounts due to customers for contract work (contract liabilities) were included in trade receivables and trade payables respectively. See note 2.17.

### 2.10 Impairment excluding financial instruments, inventories and deferred tax assets

The carrying amounts of the Company's assets are reviewed at each year-end to determine whether there is any indication of impairment.

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

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

The recoverable amount is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of 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.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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## 2 Accounting policies (continued)

### 2.11 Financial Instruments

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

- a. They include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b. Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### 2.12 Derivative financial instruments

Derivative financial instruments comprise instruments used to manage exposures to fluctuations in foreign currencies. The Company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised in the statement of financial position at fair value on the date the transaction is entered into and are subsequently re-measured at their fair values.

Changes in the fair value of the derivatives are recognised in the income statement.

### 2.13 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, financial instruments at amortised cost, cash and cash equivalents, loans and borrowings, and trade and other payables.

Investments in jointly controlled entities and subsidiaries are carried at cost in the financial statements.

Financial instruments at amortised cost are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

An impairment analysis is performed at each reporting date on an individual basis. The calculation is based on actual incurred historical data. Impairment is recognised in an allowance account which is deducted from the gross total.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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## 2 Accounting policies (continued)

### 2.14 Impairment of financial instruments

The Company assesses lifetime expected credit loss (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast economic conditions including the time value of money where appropriate.

For all other financial instruments, the Company recognises ECL when there has been a significant increase in risk since initial recognition. When estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis. The assessment is based on the Company's historical experience and includes forward-looking information. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL as defined below.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 2.15 Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested, dividend income and net foreign exchange gains.

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. Foreign currency gains and losses are reported on a net basis.

### 2.16 Taxation

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

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the year-end, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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## 2 Accounting policies (continued)

### 2.17. Revenue

Revenue recognition is determined according to the requirements of IFRS 15 'Revenue from contracts with customers'. IFRS 15 prescribes a 5-step model to distinguish each distinct performance obligation within a contract with a customer and to recognise revenue on the level of those performance obligations, reflecting the consideration that the Company expects to be entitled to, in exchange for those goods or services.

For each performance obligation identified in the contract, the Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

#### *Performance obligations satisfied over time*

The Company's construction contracts are satisfied over time where one of the following criteria is met;

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs it; or
- The Company's performance creates or enhances an asset that the customer controls; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Company's construction contracts are typically satisfied over time as the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Company recognises revenue over time by measuring the progress towards full satisfaction of that performance obligation. The objective when measuring progress is to depict the Company's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of the Company's performance obligation).

For construction projects with a fixed cost base, progress is measured using an input method, i.e. cost incurred divided by total expected costs. Costs incurred which do not result in a transfer of control to the customer are excluded. Examples of costs where control is not transferred are uninstalled materials, costs of inefficiencies and set-up costs.

For contracts that are based on unit-rates, progress is measured based on the number of units produced, i.e. an output method.

#### *Performance obligations satisfied at a point in time*

If the criteria for satisfying a performance obligation over time is not met, revenue is recognised at the point in time when control of the good or service transfers to the customer. Indicators that control has transferred include the Company having contractual rights to payment, legal title has transferred to the customer, the customer has possession of the asset, the customer has accepted the asset or the customer has the significant risks and rewards of ownership.

Variable consideration i.e. variations, claims and incentive payments are recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once any uncertainty associated with the variable consideration is subsequently resolved. The Company considers both the likelihood and the magnitude of the potential revenue reversal.

Further details on revenue recognition are included in note 3 and note 25(a).

The Company recognises an asset from the costs to fulfil a contract where, the costs relate to a contract or anticipated contract that the entity can specifically identify and the costs generate or enhance resources that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. Assets recognised will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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## 2 Accounting policies (continued)

### 2.17 Revenue (continued)

#### *Construction contracts - revenue recognition under IAS11 (applicable before 1 January 2018)*

When the outcome of individual contracts can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract.

When the outcome of individual contracts cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is measured by reference to the contract costs incurred up to the year-end as a percentage of total estimated costs for each contract.

#### *Claims - revenue recognition under IAS11 (applicable before 1 January 2018)*

Claims derived from variations on contracts are not recognised until the outcome of the particular claim is virtually certain, except in exceptional circumstances where the principles of the claim have been agreed with the client and the directors have made a considered assessment of the final outcome.

### 2.18 Inter-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### 2.19 Provisions

A provision is recognised on the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Provisions are made based on the Directors' best estimate of the position of known legal claims, investigations and actions at the year-end. The Company takes legal and other third party advice as to the likely outcomes of such actions, and no liability or asset is recognised where the Directors consider, based on that advice, that an action is unlikely to succeed, or where the Company cannot make a sufficiently reliable estimate of the potential obligation or benefit.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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## 2 Accounting policies (continued)

### 2.20 Changes in significant accounting policies

New amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2018 are listed below. The new amendments had no significant impact on the Company's results other than IFRS 15 and IFRS 9 for which a detailed explanation is provided:

- IFRS 9 'Financial Instruments' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 15 'Revenue from Contracts with Customers' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 2 (amendments) 'Classification and Measurement of Share-based Payment Transactions' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 4 (amendments) 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' (mandatory for the year commencing on or after 1 January 2018)

The following adopted IFRSs (by the European Union) have been issued but have not been applied in these financial statements. IFRS 16 is expected to have a material impact on the financial statements in the period of initial application, the impact is discussed further below:

- IFRS 16 'Leases' (mandatory for the year commencing on or after 1 January 2019)
- IFRS 9 (amendments) 'Financial Instruments' (mandatory for the year commencing on or after 1 January 2019)
- IFRS 17 'Insurance Contracts' (mandatory for the year commencing on or after 1 January 2021)

### Impact of the adoption of IFRS 9 and IFRS 15

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' are mandatory for accounting periods beginning on or after 1 January 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to the following:

- A change in treatment for the recognition of tender and bid costs (IFRS 15)
- Contract assets and contract liabilities separately disclosed on the face of the Statement of Financial Performance (IFRS 15)

### IFRS 15 - Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The underlying principle of IFRS 15 is that revenue should be recognised in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods and services transferred to the customer.

The Company's revenue recognition policies under IAS 18 and IAS 11 were broadly consistent with IFRS 15. The requirements which have resulted in a change in policy are discussed below:

#### *Re allocation of transaction price*

IFRS 15 requires contracts to be combined or split in certain circumstances. The purpose of combining and splitting contracts is to ensure an accurate allocation of the total transaction price to each of the individual performance obligations. This requirement could result in the re-allocation of revenue across projects and across periods/years.

No contracts have been identified as needing to be combined. A number of contracts with multiple performance obligations have been identified however this requirement has not had an impact on the revenue reported by the Company.



# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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## 2 Accounting policies (continued)

### 2.20 Changes in significant accounting policies (continued)

#### Progress measurement

IFRS15 stipulates that certain costs should not be included in the measurement of progress. Under certain circumstances the cost can be capitalised however for others the cost will need to be reported with no corresponding revenue;

1. Tender and bid costs incurred prior to reaching preferred bidder status are to be expensed.
2. Un-recoverable costs incurred as a result of significant inefficiencies cannot be included in the calculation of progress and therefore are expensed as incurred.
3. Mobilisation and setup costs will need to be capitalised and amortised over the life of the project (IAS 2)
4. The rules for uninstalled materials are complex and result in either capitalisation (inventory) or a separate performance obligation.

Tender and bid costs may no longer be capitalised where they are incurred prior to reaching preferred bidder status. The total impact was £922k on the profit for the period by the application of this policy in line with IFRS 15 as compared to IAS 11, IAS 18 and related interpretations that were in effect prior to the change. During the year ended 31 December 2018 the Company expensed £186k of tender and bid costs (net of amortisation) that would have been capitalised according to the Company's previous revenue policy under IAS 11.

The remaining items have been incorporated into the group's accounting policies however they have not had a material impact and therefore are out of scope of the IAS 8 requirements.

#### Variable consideration

IFRS15 states that variable consideration such as claims, bonuses, penalties and unpriced variation orders should be included to the extent that it is highly probable a significant reversal will not occur. The policy under IAS11 was to recognise revenue where it is reasonably likely it will be agreed. This requirement has been incorporated into the groups accounting policies. The change in policy has not had a significant impact on the reporting of revenue as the Company's policies have not changed significantly and the reporting of variable revenue remains subjective.

#### Significant financing costs/revenue

IFRS15 requires financing costs/revenue to be removed from the project and reported separately as interest expense/income. Where the group receives significant payments in advance this will be assessed against the requirements of IFRS 15 to determine whether an interest expense should be recognised.

#### Consistent method of measuring progress

IFRS 15 requires that a single method of measuring progress must be used for all similar performance obligations as in similar situations. The Group has chosen to use the output method to measure progress where revenue is recognised over time. However an input method is used for reimbursable service contracts as the total contract price is a product of the cost incurred.

#### Contract assets/liabilities

IFRS 15 requires contract assets and contract liabilities to be disclosed separately. This was not required under IAS 18 and IAS 11 and therefore contract assets (2017 - amounts due from construction contract customers) and contract liabilities (2017 - amounts due to construction contract customers) were included in trade and other receivables and trade and other payables respectively. The impact of the change in accounting policy is a reduction in trade and other receivables of £20,259k and trade and other payables of £2,106k being the contract assets and contract liabilities that have been separately disclosed in the Statement of Financial Position.

#### Transition

The Company has adopted IFRS 15 using the modified approach. The cumulative effect of initially applying this standard has been shown as an adjustment to retained earnings at the date of first application (i.e. 1 January 2018). The Company has not applied the requirements of IFRS15 to the comparative period presented.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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#### 2 Accounting policies (continued)

##### 2.20 Changes in significant accounting policies (continued)

##### IFRS 9 - Financial Instruments

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

##### *Classification - Financial Assets*

IFRS 9 contains a new classification and measurement approach for financial assets and allows three principal classification categories: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset are never bifurcated, instead the hybrid financial instrument is assessed as a whole.

The Company does not regularly categorise loans and receivables as held to maturity or available for sale and there were none so classified at 31 December 2017, nor were there any embedded derivatives. Therefore the only change due to the classification requirements of IFRS 9 is the removal of loans and receivables from the financial instruments note (note 19) and the inclusion of financial assets at amortised cost.

##### *Impairment - Financial Assets and Contract Assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require judgement about how changes in economic factors affect ECLs, which will be determined on a probably-weighted basis. Under the IFRS 9 ECL model it is not necessary for a credit event to have occurred before credit losses are recognised.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

The Company has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables and contract assets as required or permitted by IFRS 9. We have assessed the impact the new requirements will have on the Company's accounting for trade receivables, contract assets and intercompany balances as follows:

The Company has a robust and comprehensive process for assessing the credit worthiness of clients. Potential clients are credit checked with credit rating agencies with both failure risk and delinquency being assessed. Where the risk is greater than an acceptable level (low risk) then guarantees and credit insurance is put in place. Where insurance and guarantees are not enough to mitigate the risk then the Company will not transact with the client.

A significant proportion of the Company's revenue is from high value contracts or framework agreements with international companies and public sector institutions. Clients are continuously assessed for distress and where appropriate terms are arranged to protect the Company's interests.

Trade receivables and work in progress (WIP) have been assessed to identify all credit losses which have occurred over the previous two years. The assessment included discussion of the recoverability of current receivables and risk with regards to construction contract debtors. The Company did not have any credit losses during this period.

A forward-looking assessment has been completed and management do not expect any significant changes to the size of the balances, the type of customer, the size of the customer base or to macroeconomic factors including construction industry risk.

Due to the very low sample size with respect to write offs there was no correlation concluded between the age of accounts receivable and credit losses.

The ECL probability has been assessed for the Company as nil based on the aforementioned analysis of historical evidence and forward-looking assessment. The Company has not booked a provision at this time however impairment will be assessed in line with IFRS 9 at each reporting date and an impairment provision will be taken where the value is significant.

##### *Hedge Accounting*

There are a number of changes within the standard with regards to hedge account. The Company does not routinely utilise hedging instruments and did not have any instruments classified as hedging relationships under IAS 39 at 1 January 2018. Where the Group enters into hedging transactions the requirements of IFRS 9 will be adhered to.

##### *Transition*

The Company has adopted the standard using the modified retrospective approach which means the cumulative effect of initially applying this standard was shown as an adjustment to retained earnings at the date of first application (i.e. 1 January 2018) and that comparatives have not been restated.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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## 2 Accounting policies (continued)

### 2.20 Changes in significant accounting policies (continued)

#### IFRS 16 - Leases

The Company is required to adopt IFRS 16 - Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company has elected to adhere to the following practical expedients and exemptions on adoption. The expedients and exemptions are permissible under the standard and will be applied consistently to all of the Company's leases:

- The Company will not reassess whether any expired or existing contracts are or contain leases;
- The Company will elect the short-term exemption for existing contracts with a remaining lease term of 12 months or less on the transition date; and
- The Company will exempt certain low-value contracts where no right-of-use asset nor lease liability will be recognised. The expenses relating to the lease of low value items will continue to be recognised as an expense on the income statement for the period over which the asset is utilised by the Company. Low-value contracts are defined as leases where the original cost of the underlying asset is less than £5k. The threshold for low-value assets will be reviewed on an ongoing basis.

#### *Leases in which the Company is a lessee*

The Company will recognise new right of use assets and lease liabilities for its operating leases of vehicles, commercial vehicles, plant, offices and depots. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Lease assets and lease liabilities will be recognised based on the present value of the future minimum lease payments over the lease term. As the company's leases do not normally provide an implicit financing rate, the Company will use its incremental borrowing rate to determine the present value of future payments. The lease term will include options to extend or terminate the lease when it is reasonably certain that the company will exercise that option. The right of use asset will include lease payments made and initial direct costs.

#### *Financial impact*

As at the reporting date, the Company has non-cancellable operating lease commitments of £1,754k, see note 21. A preliminary assessment indicates that, in addition to the Company's finance lease agreements, the Group will recognise right-of-use assets of approximately £1.5m to £2.5m on 1 January 2019 and lease liabilities of £1.5m to £2.5m. The difference between the company's operating lease commitment and the expected lease liability is predominantly due to the exemptions for low value leases and leases with less than 12 months remaining.

Due to the front-loading of the interest cost, the expense in the earlier period of a lease will be higher than that in later periods. This timing difference is not expected to have a material impact on the company result in 2019.

Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liability will be re-classified. This classification change is not expected to have a significant impact on the Company's statement of cash flows for 2019.

The above-mentioned figures are estimates, the actual impact of adopting the standard on 1 January 2019 may differ due to the following:

- The impact assessment has been primarily performed based on contract data gathered per 30 September 2018;
- The impact is subject to variables of which the Company has no influence (e.g. foreign exchange rates); and
- The choices made by the company relating to lease accounting might be updated until the company presents its first financial statements that include the new accounting policies.

The Company does not have significant activities as a lessor and therefore the new standard does not have a material impact on the reporting with respect to this.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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#### 3 Revenue

##### *a) Disaggregation of revenue from contracts with customers:*

The Company derives revenue from the transfer of goods and services in the following major activities:

	2018 £000	2017 £000
Construction contract revenues	206,977	173,201
Total revenues	206,977	173,201

All revenue is from contracts with customers. Substantially all revenue relates to sales made in the United Kingdom and is measured over time.

##### *b) Contract balances*

The Company has recognised the following revenue related (contract) assets and liabilities:

	31 December 2018 £000	1 January 2018 £000
Contract assets	20,259	25,726
Contract liabilities	2,106	4,078

The contract assets primarily relate to the Company's rights to consideration for work completed but not certified at the reporting date.

The Company receives payments from customers in line with a series of performance related milestones and will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the Company has an enforceable right to payment.

The contract liabilities primarily arise where payment received or due exceeds revenue recognised to date under the applicable revenue recognition policy. All contract liabilities held at 31 December 2018 are expected to satisfy performance obligations in the next 12 months.

During the period there were no significant changes to contract assets or contract liabilities relating to business combinations, impairment of contract assets or changes in time frames with regards to the right to consideration becoming unconditional or the satisfaction of performance obligations where a contract liability has been recognised. The effect of changes in accounting policies has resulted in the opening contract asset and contract liability balances

Revenue recognised during the year on performance obligations satisfied in the current year was £207,817k for contract assets and £2,608k for contract liabilities. The amount of revenue recognised in 2018 from performance obligations satisfied in previous periods is £(3,448)k. Cash received or due for performance obligations not yet satisfied is £2,106k at 31 December 2018 and amounts of £211,941k have been transferred to trade receivables in the year.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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#### 3 Revenue (continued)

##### *Transaction price allocated to the remaining performance obligations*

The aggregate amount of the transaction price allocated to performance obligations within contracts with customers that are partially or fully unsatisfied as at 31 December 2018 is £199,381k.

Management expects that 55% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the 2019 financial year (£108,787k), 21% during the 2020 financial year (£42,032k) and 24% thereafter (£48,562k).

##### *Assets recognised from costs to fulfil a contract*

In addition to the contract assets and contract liabilities, the Company may also capitalise bid/tender costs and site set up costs of which Management expects the costs are recoverable. There were no such balances at the year-end.

##### *c) Accounting policies and significant judgements*

The Company has applied IFRS 15 using the modified method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed in Note 2. The impact of changes is also disclosed in Note 2.

##### *Construction contracts*

The Company's construction contracts include complex engineering solutions across five principal market sectors; marine, defence, flood and coastal erosion risk management, water and regeneration and land remediation. The contract term depends on the nature and complexity of the project and the Company's role on the project.

Under the terms of these construction contracts, the Company is contractually restricted from redirecting the goods and services to another customer and has an enforceable right to payment for work done. Revenue is therefore recognised over time using an input method to calculate percentage completion relative to the estimated total contract costs. Costs which do not result in a transfer of value to the customer do not contribute to the percentage completion. The directors consider that this input method is an appropriate measure of progress towards complete satisfaction of the performance obligations under IFRS 15 as it faithfully depicts the transfer of control to the customer.

The transaction price for the main contract is agreed with the customer before any work is undertaken. Where the contract contains multiple performance obligations then the transaction price is allocated based on the stand alone selling price of each performance obligation. The stand alone selling price is the observable price of a good or service when the Group sells that good or service separately in similar circumstances and to similar customer. The stand alone selling price is estimated as cost plus an appropriate margin where there is no observable price.

For variations and claims where the transaction price is not explicitly included in the contract or agreed with the customer in writing, the directors will consider the facts including anticipated cost and margin, contract volumes and industry rates as well as the directors prior experience to estimate the transaction price.

The Company becomes entitled to invoice the customer based on certification of goods and services completed. Depending on the contractual terms the customer may be entitled to hold back a percentage of the invoiced amount as a retention for defects or rework. Retentions are included in trade and other receivables as the Company has a contractual right to payment which is contingent on the passage of time. Payment terms are rarely greater than 45 days. Goods and services transferred to the customer which have not been certified are recognised as contract assets. Contract assets are transferred to trade receivables as and when they are certified. If payment from the customer exceeds the revenue recognised using the input method, the Company will recognise a contract liability for the difference.

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2018**

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**4 Operating result**

Operating result is stated after charging:

	<b>2018</b>	2017
	<b>£000</b>	£000
<i>Depreciation of property, plant and equipment</i>		
- owned assets	<b>121</b>	90
<i>Operating lease charges</i>		
- plant & machinery	<b>280</b>	207
- land & buildings	<b>524</b>	860
<i>Auditor's remuneration</i>		
- audit of these financial statements	<b>82</b>	71
	<b><u>          </u></b>	<b><u>          </u></b>

**5 Staff numbers and costs**

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

	<b>2018</b>	2017
	<b>No</b>	No
Management & administrative	<b>70</b>	62
Operational	<b>418</b>	374
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>488</b>	436
	<b><u>          </u></b>	<b><u>          </u></b>

The aggregate payroll costs of these persons were as follows:

	<b>2018</b>	2017
	<b>£000</b>	£000
Wages and salaries	<b>23,177</b>	19,782
Social security costs	<b>2,617</b>	2,187
Contributions to defined contribution plans	<b>1,967</b>	1,464
Contributions in respect of defined benefit plans	<b>480</b>	469
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>28,241</b>	23,902
	<b><u>          </u></b>	<b><u>          </u></b>

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2018**

**6 Directors' remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>470</b>	686
Company contributions to money purchase pension plans	<b>14</b>	19
	<b>484</b>	705

The emoluments of the highest paid Director were £183k (2017: £445k). No Company pension contributions (2017: nil) were made to money purchase schemes on his behalf. All 6 Directors are remunerated through the Company (2017: 2).

Retirement benefits are accruing to the following number of Directors under:

	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
Money purchase schemes	<b>6</b>	2

During the year, a reassessment of the allocation of directors' remuneration charged to the company in respect of qualifying services was undertaken. Consequently there has been a decrease in the total directors' remuneration. As this has not led to a material change, the comparative numbers have not been restated

**7 Financial income**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest income on short-term bank deposits	<b>32</b>	-
Amounts receivable from group undertakings	<b>1</b>	-
Total financial income	<b>33</b>	-

**8 Financial expense**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net interest on the net defined benefit liability	<b>36</b>	50
Amounts payable to group undertakings	<b>-</b>	56
Foreign currency losses	<b>318</b>	801
Total financial expense	<b>354</b>	907

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2018**

**9 Taxation**

**a) Analysis of the tax recognised in the income statement**

	2018 £000	2017 £000
<i>Current tax expense</i>		
UK corporation tax:		
Current year	30	313
Adjustments for prior periods	(29)	-
<b>Current tax expense</b>	<b>1</b>	<b>313</b>
<i>Deferred tax expense (see note 12)</i>		
Origination and reversal of temporary differences	158	304
Change in tax rate	(17)	(20)
Adjustments for prior periods	4	185
<b>Deferred tax expense</b>	<b>145</b>	<b>469</b>
<b>Total tax expense</b>	<b>146</b>	<b>782</b>

**b) Reconciliation of effective tax rate**

The total tax charge for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
<b>Profit for the year</b>	<b>613</b>	<b>2,652</b>
Total tax expense	146	782
<b>Profit excluding taxation</b>	<b>759</b>	<b>3,434</b>
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	144	661
<i>Effects of:</i>		
Non-deductible expenses	14	14
Changes in tax rates	(17)	(20)
R&D expenditure credit <sup>1</sup>	24	(62)
Depreciation on ineligible	6	4
Adjustments for prior periods	(25)	185
<b>Total tax expense</b>	<b>146</b>	<b>782</b>

<sup>1</sup> The credit adjustment in 2017 in respect of R&D tax relief has been offset by an equal but opposite prior year adjustment and, as a result, it does not impact the overall tax charge.



**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2018**

**9 Taxation** *(continued)*

**c) Tax recognised directly in other comprehensive income**

	<b>2018</b>	2017
	<b>£000</b>	£000
Deferred tax credit/(debit) recognised directly in other comprehensive income	<b>59</b>	(12)

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

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015 and Finance Bill 2016 on 15 September 2016. These include reductions in the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the year-end have been measured using these enacted tax rates and reflected in these financial statements.

**10 Property, plant and equipment**

	<b>Land and buildings £000</b>	<b>Plant, machinery and vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2017	771	786	1,557
Additions	-	123	123
Disposals	-	(61)	(61)
At 31 December 2017	771	848	1,619
At 1 January 2018	771	848	1,619
Additions	-	62	62
At 31 December 2018	771	910	1,681
<b>Depreciation and impairment</b>			
At 1 January 2017	492	671	1,163
Charge for the year	18	72	90
Disposals	-	(59)	(59)
At 31 December 2017	510	684	1,194
At 1 January 2018	510	684	1,194
Charge for the year	18	103	121
At 31 December 2018	528	787	1,315
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>243</b>	<b>123</b>	<b>366</b>
At 31 December 2017	261	164	425
At 1 January 2017	279	115	394

Plant and machinery includes a share of joint operations assets at a cost of £48k (2017: £48k) and depreciation of £45kk (2017: £29k).

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2018**

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**11 Investments**

The Company has the following investments in jointly controlled operations:

Jointly controlled operations	Principal activities	JCO partner	Address	Company Share %	
				2018	2017
HMB Alliance	Construction	Morgan Sindall Ltd Barhale Construction Ltd	1, 2 & 3	30%	30%
CVC Highway Solutions	Construction	Cumbrian Industrials Ltd	1 & 4	50%	50%
VS Marine	Construction	VCI bv	1 & 5	50%	50%
VSD Avenue	Construction	Deme Environmental Contracts nv Sita Remediation bv	1, 6 & 7	33.3%	33.3%
VSBW JV	Construction	Boskalis Westminster Ltd	1	66%	66%
C2V+	Construction	CH2MUK Ltd	1 & 8	50%	50%
1 The Lancashire Hub Preston City Park Bluebell Way Preston PR2 5PE	2 Corporation Street Rugby CV21 2DW		3 Bescot Crescent Walsall WS1 4NN		
4 Coleridge House Gilwilly Industrial Est. Penrith Cumbria CA11 9BN	5 PO Box 203 3447 GG Woerden The Netherlands		6 Greenstead House Wood Street East Grinstead RH19 1UZ		
7 Postbus 40221 3504 AA Utrecht The Netherlands	8 Hertford Road Hoddesdon EN11 9BX				

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2018**

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**12 Deferred tax assets and liabilities**

**a) Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, plant and equipment	331	401	-	-
Employee benefits	269	285	-	-
<b>Tax assets/(liabilities)</b>	<b>600</b>	<b>686</b>	<b>-</b>	<b>-</b>

**b) Movement in deferred tax in the year**

	<b>1 January 2018</b>	<b>Charge in profit or loss</b>	<b>Charge in other comprehensive income</b>	<b>31 December 2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, plant and equipment	401	(70)	-	331
Employee benefits	285	(75)	59	269
	686	(145)	59	600

**c) Movement in deferred tax in the prior year**

	<b>1 January 2017</b>	<b>Charge in profit or loss</b>	<b>Charge in other comprehensive income</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, plant and equipment	487	(86)	-	401
Losses carried forward	312	(312)	-	-
Employee benefits	368	(71)	(12)	285
	1,167	(469)	(12)	686

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2018**

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**13 Trade and other receivables**

	<b>2018</b>	2017
	<b>£000</b>	£000
Trade receivables	<b>10,716</b>	9,211
Amounts due from construction contract customers	-	25,726
Amounts owed by group undertakings (note 23)	<b>19,721</b>	9,944
Prepayments and accrued income	<b>1,539</b>	986
Other receivables	<b>250</b>	501
	<b>32,226</b>	46,368
	<b>25,474</b>	39,570
Current	<b>6,752</b>	6,798
Non current	<b>32,226</b>	46,368

The directors consider the carrying amount of trade and other receivables approximate to their fair value.

Trade receivables include £6,752k (2017: £6,798k) of retentions relating to construction contracts in progress.

Due to the requirements of IFRS 15, amounts due from construction contract customers are now reported as part of contract assets, see note 2 and note 3 for further details.

**14 Cash and cash equivalents**

	<b>2018</b>	2017
	<b>£000</b>	£000
Cash and cash equivalents	<b>28,921</b>	10,862
	<b>28,921</b>	10,862

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
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**15 Trade and other payables**

	<b>2018</b>	2017
	<b>£000</b>	£000
Trade payables	<b>36,967</b>	23,323
Non trade payables and accrued expenses	<b>4,130</b>	1,755
Tax and social security costs	<b>4,699</b>	6,301
Amounts due to construction contract customers	-	4,078
Amounts due to group undertakings (note 23)	<b>14,098</b>	1,821
	<b>59,894</b>	37,278
	<b>57,049</b>	35,058
Current	<b>2,845</b>	2,220
Non-current	<b>59,894</b>	37,278

The directors consider the carrying amount of trade and other payables approximate to their fair value.

Included within Trade payables is £2,845k (2017: £2,220k) expected to be settled in over 12 months.

Included within Trade payables are contract accruals of £31,324k (2017: £21,727k), which comprises of amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

In 2017 advance payments received from customers were included in trade and other payables. In 2018, due to the requirements of IFRS 15, advance payments are separately disclosed within contract liabilities, see note 2 and note 3 for details.

**16 Provisions**

	<b>Contract provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Charged to the income statement	301	301
Balance at 31 December 2018	301	301
	<b>2018</b>	2017
	<b>£000</b>	£000
Analysis of total provisions		
Current	301	-
	301	-

Provisions charged to the income statement in 2017 totalled £nil.

**Onerous contract provision**

Contract provisions represents the expected net loss of fulfilling contractual obligations, based on the company's best estimate of volume levels and of the cost to service the volumes.

In estimating the expected net loss the directors made assumptions regarding the costs that would be incurred in order to complete the contract.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

#### 17 Employee benefits

##### a) Defined contribution plan

The Company operates a defined contribution plan. The total expense relating to this plan in the current year was £1,967k (2017: £1,464k) and the creditor outstanding relating to the plan at 31 December 2018 was £nil (2017: £nil).

##### b) Defined benefit plans

The Company operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgo (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the year-end. The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method.

##### Risks

Through the Scheme, the Company is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests significantly in equities and other growth assets. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation. The Scheme invests in Liability Driven Investment (LDI) assets, which are designed to offset the impact of changes in market yields. Changes in bond yields are therefore not expected to be a significant source of year-end volatility.
- Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place), although the Scheme's LDI holdings look to hedge inflation rate changes.
- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

##### Summary

A summary of the plan is as follows:

	2018 £000	2017 £000
Defined benefit assets	30,751	32,457
Defined benefit liability	(32,334)	(34,136)
Net liability for defined benefit obligations	(1,583)	(1,679)
Total employee benefits	(1,583)	(1,679)

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
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**17 Employee benefits (continued)**

*Movement in net defined benefit asset*

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset / (liability)	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(34,136)	(33,498)	32,457	31,332	(1,679)	(2,166)
<b>Included in profit or loss</b>						
Interest (cost) / income	(839)	(854)	803	804	(36)	(50)
	(34,975)	(34,352)	33,260	32,136	(1,715)	(2,216)
<b>Included in OCI</b>						
Remeasurements gain/(loss):						
Actuarial gain/(loss) arising from						
• Changes in demographic assumptions	217	129	-	-	217	129
• Changes in financial assumptions	1,298	(27)	-	-	1,298	(27)
• Experience adjustment	-	(1,161)	-	-	-	(1,161)
Return on plan assets excluding interest income	-	-	(1,863)	1,127	(1,863)	1,127
	1,515	(1,059)	(1,863)	1,127	(348)	68
<b>Other</b>						
Contributions paid by the employer	-	-	480	469	480	469
Benefits paid	1,126	1,275	(1,126)	(1,275)	-	-
<b>Balance at 31 December</b>	<b>(32,334)</b>	<b>(34,136)</b>	<b>30,751</b>	<b>32,457</b>	<b>(1,583)</b>	<b>(1,679)</b>

*Plan assets*

	2018	2017
	£000	£000
Cash and cash equivalents	211	872
Equities and other growth assets	14,735	15,603
Bonds and liability driven investments	11,911	12,149
Property	3,894	3,833
<b>Total</b>	<b>30,751</b>	<b>32,457</b>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated.

*Actuarial assumptions*

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2018	2017
	%	%
Discount rate	2.8	2.5
RPI Inflation	3.2	3.2
CPI Inflation	2.2	2.2
CPI inflation linked increases in deferment	2.1	2.2
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.1
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.1
RPI inflation linked increases in deferment	3.2	3.2

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

#### 17 Employee benefits (continued)

##### Actuarial assumptions (continued)

The assumptions relating to longevity underlying the pension liabilities at the year-end are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:-

	Male Years	Female Years
Current pensioner aged 65	20.7	22.6
Future retiree upon reaching 65 in 20 years	21.8	23.9

##### Sensitivity analysis

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 by half a percent.

	Change in assumption	2018 +0.5% £000	2018 -0.5% £000	2017 +0.5% £000	2017 -0.5% £000
Discount Rate	+/- 0.5%	(2,231)	2,490	(2,390)	2,731
Inflation (RPI)	+/- 0.5%	2,134	(2,005)	2,390	(2,390)

In valuing the liabilities of the pension fund at £32,334k, 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 31 December 2018 would have increased by £1,455k 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 valuations and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

##### Funding

The Trustee is required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 1 January 2017. This valuation revealed a funding shortfall of £2.2 million. To pay off the deficit, the Company has agreed to pay deficit reduction contributions from 1 January 2018 to 31 January 2021, starting at £480k pa in the year beginning 1 January 2018 and increasing by 2.7% pa in each subsequent 1 January. The Company expects to pay £493k to the Scheme during the accounting year beginning 1 January 2019. The Company will also meet all expenses directly.

#### 18 Share capital

	Number of shares 000	Ordinary shares £000
<b>Authorised, allotted, called up and fully paid ordinary shares of £1</b>		
At 1 January and 31 December 2017	8,000	8,000
<b>At 1 January and 31 December 2018</b>	<b>8,000</b>	<b>8,000</b>

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.



# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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#### 19 Financial instruments

##### a) Fair values of financial instruments

###### *Trade and other receivables*

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the year-end if the effect is material.

###### *Trade and other payables*

The fair value of trade and other payables is estimated at the present value of future cash flows, discounted at the market rate of interest at the year-end if the effect is material.

###### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated at 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 year-end.

###### *Interest bearing loans and borrowings*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the year-end. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

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

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

	Note	2018 £000	2017 £000
Financial assets at amortised cost			
Trade and other receivables	13	30,437	44,881
Contract assets	3	20,259	-
<b>Total financial assets at amortised cost</b>		<b>50,696</b>	<b>44,881</b>
Financial assets at fair value			
Cash and cash equivalents	14	28,921	10,862
<b>Total financial assets</b>		<b>79,617</b>	<b>55,743</b>
Financial liabilities at amortised cost			
Trade and other payables	15	51,065	29,222
Contract liabilities	3	2,105	-
<b>Total financial liabilities at amortised cost</b>		<b>53,170</b>	<b>29,222</b>
<b>Total financial instruments</b>		<b>26,447</b>	<b>26,521</b>

Financial receivables at amortised cost above exclude prepayments and other receivables.

Trade and other payables above exclude other trade payables and tax and social security costs.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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#### 19 Financial instruments (continued)

##### b) Credit risk

###### *Financial risk management*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables and contract assets from customers.

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the year-end, namely cash and cash equivalents, trade and other receivables and contract assets. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by the Company, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. An analysis of amounts that are past due but not impaired is shown below. None of the Company's financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Company manages the collection of retentions through its post completion project monitoring procedures and ongoing contact with clients to ensure that potential issues which could lead to the non-payment of retentions are identified and assessed promptly.

The Company's financial assets are subject to the Expected Credit Loss (ECL) model of IFRS 9. The Company has calculated the ECLs for financial assets at amortised cost and cash and cash equivalents as immaterial. In order to assess the ECLs instruments were grouped by counterparty type, age and instrument type. For further information on the Company's assessment of ECLs see the accounting policy for the impairment of financial instruments (note 2.14) and IFRS 9 - accounting policy changes (note 2.20).

###### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure which was £79,617k at 31 December 2018 (2017: £55,743k).

None of the contract assets at the end of the reporting period are past due, and taking into account the historical default experience and the future prospects of the industry the directors consider that no contract assets are impaired.

The maximum exposure to credit risk for trade receivables at the year-end by business segment and type of customer was as follows:

	2018 £000	2017 £000
Civil Engineering	10,716	9,211
Public sector customers	1,359	2,189
Private sector customers	9,357	7,022
	10,716	9,211

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

#### 19 Financial instruments (continued)

##### *Credit quality of financial assets and impairment losses*

The ageing of trade receivables at the year-end was as follows:

	2018		2017	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	8,704	-	7,545	-
Past due (0-30 days)	718	-	538	-
Past due (31-120 days)	1,294	-	1,128	-
	<b>10,716</b>	<b>-</b>	<b>9,211</b>	<b>-</b>

The expected credit losses in trade receivables are estimated using a provision matrix by reference to past default experience on the debtor and an analysis of the debtor's current financial position, adjusted for specific factors that are specific to the debtors, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

At 31 December 2018 the Company had no impairment provision (2017: £nil) and did not provide against any debt during the year. For amounts which are past due at the reporting date, the Company has not provided for as there has not been a significant change in credit quality and the Company considers the amounts are recoverable.

Impairment losses are recorded into an allowance account unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

#### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk exposure arises for the Company principally from trade and other payables, taxation due, and borrowings. The Company monitors working capital and cash flows to ensure liquidity risk is managed. A central treasury function in the UK parent company, VolkerWessels UK Limited, covering all UK subsidiaries ensures bank and intercompany borrowings are maintained at appropriate amounts.

##### *Contractual maturity of financial liabilities*

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

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000
<b>2018</b>				
Trade and other payables	51,065	51,065	48,220	2,845
	<b>51,065</b>	<b>51,065</b>	<b>48,220</b>	<b>2,845</b>
<b>2017</b>				
Trade and other payables	29,222	29,222	27,002	2,220
	<b>29,222</b>	<b>29,222</b>	<b>27,002</b>	<b>2,220</b>

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

#### 19 Financial instruments (continued)

##### d) 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 Company's income or the values of its holdings of financial instruments. Exposure to foreign exchange risk in the Company is limited to a small number of contracts that are JCO's with our Dutch partners, VolkerConstruction International bv, performed inside the UK, and a small number of non-JCO related contracts where a proportion of purchase invoices are settled in Euros. Where these purchases are deemed to be material to the contract, then the exposure to potential adverse movements in foreign exchange rates are managed through entering into hedging contracts. At the year-end the company had no foreign exchange forward contracts (2017: £nil).

Exposure to interest rate risk in the Company is principally on bank and cash deposits, and interest bearing borrowings from its UK parent of one of its Dutch sister companies. The Company does not participate in any interest rate hedge or swap arrangements.

###### *Foreign currency risk*

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company (primarily the Euro). The Company's exposure to foreign currency risk is as follows:

	Euro £000
31 December 2018	
Cash and cash equivalents	26
Statement of financial position exposure	26
31 December 2017	
Cash and cash equivalents	2,013
Statement of financial position exposure	2,013

###### *Sensitivity analysis*

A 10 percent movement of the euro against the pound sterling at 31 December 2018 would have changed equity and profit by £3,000 (2017: £200,000). This calculation assumes that the change occurred at the year-end and had been applied to risk exposures existing at that date. This analysis also assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The sensitivity rate of 10 percent represents the Directors' assessment of a reasonably possible change, based on historic volatility.

###### *Interest rate risk*

Exposure to interest rate risk in the Company is principally on bank and cash deposits, and bank overdrafts. The Company does not participate in any interest rate hedge or swap arrangements.

###### *Profile of interest bearing financial instruments*

At the year-end the interest rate profile of the Company's interest bearing financial instruments was as follows:

	2018 £000	2017 £000
Variable rate instruments		
Financial assets	28,921	10,862

A change of 100 basis points in interest would either increase or decrease equity by £289k (2017: £109k). The sensitivity of 100 basis points represents the Directors' assessment of a reasonably possible change, based on historic volatility.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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#### 19 Financial instruments (continued)

##### e) Capital risk management

For the purpose of the Company's capital risk management, capital includes issued share capital and all other equity reserves attributable to the equity holders of the Company.

The primary objective of the Company's capital risk management is to maximise shareholder value.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital through regular forecasts of its cash position to management on both a short-term and long-term basis. Performance against forecasts is also reviewed and analysed to ensure the Company efficiently manages its net cash position.

Net cash is calculated as cash and cash equivalents less total borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

#### 20 Cash flows from operating activities

	2018 £000	2017 £000
Profit for the year	613	2,652
Adjustments for:		
Depreciation	121	90
Financial income	(33)	-
Financial expense	354	907
Payments to defined benefit plans	(480)	(469)
Taxation	146	782
R & D expenditure credit	(590)	(1,022)
	131	2,940
Increase in contract assets and trade and other receivables	(7,038)	(5,202)
Increase in contract liabilities and trade and other payables	25,022	6,811
	18,115	4,549

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

#### 21 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Plant and machinery	
	2018	2017	2018	2017
	£000	£000	£000	£000
Less than one year	477	344	346	293
Between one and five years	300	492	631	459
	<b>777</b>	<b>836</b>	<b>977</b>	<b>752</b>

The Company leases properties, vehicles and equipment for operational purposes. These leases have remaining term of between 1 month and 4 years. No leases include contingent rentals.

#### 22 Contingencies

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

The Company, as a result of a VolkerWessels UK Limited Company registration for VAT, is jointly and severally liable for the VAT liabilities of other group companies under the group VAT registration. At the accounting date, the Group's liability was £8,897k (2017: £11,306k).

The Company is jointly and severally liable for the debts of jointly controlled operations. At the year-end no liability existed (2017: Nil).

#### 23 Related parties

##### *Related party transactions*

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

##### *Compensation of key management*

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

	2018	2017
	£000	£000
Short-term employee benefits	470	686
Post-employment benefits (defined contribution plan)	14	19
	<b>484</b>	<b>705</b>

During the year, a reassessment of the allocation of directors' remuneration charged to the company in respect of qualifying services was undertaken. Consequently there has been a decrease in the total key management personnel remuneration. As this has not led to a material change, the comparative numbers have not been restated.

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
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**23 Related parties (continued)**

*Related party transactions with fellow group undertakings*

Related party transactions with fellow group undertakings are summarised below:

	Parent undertakings	Fellow subsidiary undertakings	Total
2018	£000	£000	£000
At start of year	-	9,944	9,944
Sales/Income	16	85,504	85,520
Receipts	-	(75,743)	(75,743)
At end of year	16	19,705	19,721

	Parent undertakings	Fellow subsidiary undertakings	Total
2017	£000	£000	£000
At start of year	-	9,402	9,402
Sales/Income	-	59,278	59,278
Receipts	-	(58,736)	(58,736)
At end of year	-	9,944	9,944

	Parent undertakings	Fellow subsidiary undertakings	Total
2018	£000	£000	£000
At start of year	212	1,609	1,821
Expenses and Dividends payable	-	47,278	47,278
Payment	(212)	(34,789)	(35,001)
At end of year	-	14,098	14,098

	Parent undertakings	Fellow subsidiary undertakings	Total
2017	£000	£000	£000
At start of year	5	1,121	1,126
Expenses	207	18,930	19,137
Payment	-	(18,442)	(18,442)
At end of year	212	1,609	1,821

*Terms and conditions of transactions with related parties*

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2018

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#### 24 Ultimate parent company and parent undertaking of larger Group of which the Company is a member

The Company is a subsidiary undertaking of VolkerStevin Group Limited which is incorporated in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by VolkerStevin Group Limited, the largest UK group in which the results of the Company are consolidated is that headed by VolkerWessels UK Limited. Both VolkerStevin Group Limited and VolkerWessels UK Limited are incorporated in England. Copies of their consolidated financial statements may be obtained from the registered office at Hertford Road, Hoddesdon, Hertfordshire, EN11 9BX.

The results of the Company are included in the consolidated financial statements of its ultimate parent company Koninklijke VolkerWessels N.V., a company incorporated in the Netherlands. Copies of the published consolidated financial statements may be obtained from its Amersfoort office: Podium 9, 3826 PA Amersfoort, P.O. Box 2767, 3800 GJ Amersfoort, The Netherlands.

#### 25 Accounting estimates and judgements

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. The nature of estimation and judgement means that actual outcomes could differ from expectation and may result in a material adjustment to the carrying amount of assets or liabilities affected in future periods.

##### Critical Judgements in Applying the Company's Accounting Policies

In the process of applying the Company's accounting policies, the Directors have made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### *Categorisation of contracts*

The 5 step model included in IFRS 15 requires a number of judgements to be made which may have an impact on the timing of revenue recognition. Key judgements include whether a contract with a customer contains multiple performance obligations, how the transaction price is allocated to the performance obligations, whether revenue should be recognised at a point in time or over time and on an input or output basis.

The Company has determined the revenue recognition policy to use for each contract by applying the definitions and guidance of IFRS 15 including the core principal that "an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services".

##### Key Sources of Estimation Uncertainty

The Company does not have any key assumptions concerning the future or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year. Notwithstanding this, as a significant portion of the Company's activities are undertaken through long term construction contracts the Company is obliged to make estimates in accounting for revenue and margin. These amounts may depend on the outcome of future events and may need to be revised as circumstances change. The relevant areas are detailed below:

##### *(a) Revenue recognition*

The Company uses the percentage-of-completion method to determine the appropriate amount of revenue to recognise in a given period. The percentage of completion is measured by reference to the year end costs as a percentage of total estimated costs for each contract as an input method.

This requires forecasts to be made of the outcomes of long-term construction, which require assessments and judgements to be made on changes in the scope of work, changes in costs, maintenance and defects liabilities (see note 3). Across the Company there are several long-term projects where the best estimate has been made on significant judgements. Any such estimate may change as new information becomes available and may have a material effect on the Group's revenue, profits and cash flows.

##### *(b) Variable consideration*

Variable consideration i.e. variations, claims and incentive payments, are recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once any uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and the magnitude of the potential revenue reversal to estimate the revenue to recognise where there is uncertainty.



**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2018**

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**25 Accounting estimates and judgements (continued)**

*(c) Onerous contract provision*

The onerous contract provision reflects an anticipated increase in the cost to complete a specific contract. It is expected that the cost to provide contractually agreed services will exceed the revenue generated due to this cost increase.

In estimating the expected net loss the directors made assumptions regarding the volumes of material required, the level of staff required to complete the work and the company's ability to redeploy resources.

See note 16 for further details.