

---

**VolkerStevin Limited**

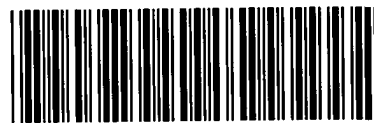
**Annual Report and Financial Statements**

**Registered number: 00288392**

**31 December 2017**

---

WEDNESDAY



\*L78IRZAB\*

L06

20/06/2018

#37

COMPANIES HOUSE

# VolkerStevin Limited

## Contents

---

	Page No.
Company Information	1
Strategic Report	2
Directors' Report	12
Directors' Responsibilities Statement	14
Independent Auditor's Report to the Members of VolkerStevin Limited	15
Income Statement	17
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Equity	20
Cash Flow Statement	21
Notes to the Financial Statements	22

---

## **VolkerStevin Limited**

### **Company Information**

---

#### **Directors**

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

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ

#### **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 2017

---

#### Principal activities

VolkerStevin is an engineering company whose principal activities are civil engineering, marine and water infrastructure and related activities.

VolkerStevin operates at a national level providing complex engineering solutions to various markets and concentrates its capabilities and technical skills across four principal market sectors: Marine; Flood and Coastal Defence; Water; Regeneration and Land Remediation.

#### Business Review

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

	2017 £000	2016 £000
Revenue	173,201	153,265
Gross profit	10,861	8,697
Gross profit margin	6.3%	5.7%
Operating result	4,341	2,492
Operating result margin	2.5%	1.6%
Net cash	10,862	6,577
Net assets	19,771	17,063
Secured order book	211,943	170,751

Non-financial key performance indicators are considered in the Corporate Responsibility section of this report.

In 2017 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 fostered an excellent reputation in its sectors, strong relationships with leading design consultants and a track record for 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, has delivered profit in 2017 in line with budget expectations. This continues our ongoing success in providing strong results in the markets in which we work. We anticipate this trend continuing in 2018 which we enter with a record high order book with blue chip clients. Despite the uncertainty in the industry during 2017 largely caused by liquidity issues faced by a number of large industry participants, 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 2017. We will continue to adopt this prudent approach 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 2017, 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 consulting houses with whom we have strong and valued relationships based on long-term sustainable relationships.

The company generated revenue of £173.2m for the year, an increase of £19.9m from 2016. 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.

Our gross profit margin of 6.3% (2016: 5.7%) reflects project performance on the whole being consistently robust, with the exception of a manageable number of projects being delayed due to weather related conditions. The operating margin increased to 2.5% (2016: 1.6%), reflecting operational efficiencies achieved during the year and is in line with expectations. This result reflects the Companies prudent approach, highly skilled workforce, innovative culture and experienced long term partners.

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 2017, with net assets of £19.8m (2016: £17.1m), supported by net cash of £10.9m (2016: £6.6 m).

# **VolkerStevin Limited**

## **Strategic Report**

### **for the year ended 31 December 2017**

---

#### **Operational Review and future developments**

##### **Marine**

VolkerStevin is widely regarded as one of the UK's top maritime civil engineering contractors and undertakes a full range of marine engineering works including jetties, port and harbour infrastructure, marinas, marine piling, quay walls, linkspans, and floating structures.

In the defence sector during 2017, we successfully handed the design and build contract to reconstruct a jetty at Her Majesty's Naval Base Portsmouth to house the new Queen Elizabeth Aircraft Carrier. The construction of the new secure tidal berth comprised upgrading the existing jetty to withstand berthing, mooring and operational forces exerted by the new carriers and included all civils, M&E and buildings. As a direct result of our strong performance, the Defence Infrastructure Organisation (DIO) awarded us the Front End Engineering Design (FEED) contract to deliver significant infrastructure improvements on the adjacent quay which will be the new berth for HMS Prince Of Wales, the second of the two carriers built for the Royal Navy. Construction will start mid-2018.

Our relationship with the DIO is developing positively and our portfolio of work, particularly with the Royal Navy, is seeing steady growth. Work began at the start of the year with an upgrade to improve defence infrastructure of berths at Mare Harbour on the Falkland Islands. The contract which was handed over in January 2018, 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.

The year ended with the award of a contract to construct a new jetty at Thanckes Oil Fuel Depot, which provides fuelling facilities for the Royal Navy at Devonport Naval Base. 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.

Throughout much of 2017 our defence team had been preparing for the DIO's 10 year capital delivery framework tender at HMNB Clyde which will see major marine infrastructure upgrades at Faslane and Coulport. VolkerStevin was successful in its bid for the framework awarded in April 2018. We have also been selected by BAE Systems as one of three firms to bid for a large package of marine civil engineering and building works at its Barrow facility to accommodate the construction of Britain's next generation of nuclear submarines. If successful work is planned to start in Q3 2018.

Elsewhere, VolkerStevin has been heavily involved with enabling works associated with the planned Thames Tideway Tunnel (TTT). New floating piers at Blackfriars and Victoria Embankment were officially opened to the public facilitating access onto the Thames Clipper Water Taxi Service. Meanwhile, 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 making good progress. 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. Construction work started in Q1 2017 and is scheduled for completion by the end of 2018.

Preliminary work also started at the Port of Felixstowe where we are working in collaboration with VolkerFitzpatrick to deliver the marine works associated with the major 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.

##### **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 partner's Boskalis Westminster and Atkins (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 five year term 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.

# **VolkerStevin Limited**

## **Strategic Report**

### **for the year ended 31 December 2017**

---

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

##### **Flood and coastal defence (continued)**

The start of 2017 saw the EA put plans in place to change its project delivery mechanism with the WEM framework as a result of pressure to meet its 2021 target of protecting 300,000 homes. VolkerStevin secured a position in all three regional Programme Delivery Units (PDUs) targeted across Cumbria & Lancashire, Yorkshire and Kent & South London. These PDUs are developing well and enabling our teams to identify and secure workload without competitive tender. Our involvement in these projects is now at an earlier stage than traditionally, assisting us in securing their timely award and quicker mobilisation.

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.

One of our most high profile projects being delivered through the WEM framework is the Ipswich tidal barrier. The scheme involves 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. Work on site is progressing well with completion due in 2018.

Alongside negotiating positions on the PDUs, our teams have been preparing for the EA's next generation supplier arrangements which will be known as its Collaborative Delivery Framework (CDF) and will begin in June 2019. It will be structured in a similar way to the PDUs and procurement started in early 2018. Our partnership with the EA stretches back over 15 years and so is a targeted framework opportunity for the business.

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 2017, we delivered schemes at Morecambe in Lancashire, Colwyn Bay in North Wales and Lincolnshire Lakes in North Lincolnshire. Design also work began on a major scheme at Lytham in Lancashire; Fairhaven to Church Scar coastal defence scheme for Fylde Borough Council. December saw us appointed preferred bidder for two flood defence schemes; along Strood Riverside for Medway Council and the River Lune in Lancaster for Lancaster City Council.

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 sub stations and power distribution centres which are located in flood risk areas and local flood plains.

##### **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/MEICA and MEICA-only basis.

Our AMP6 framework with United Utilities (UU) continued to see steady growth in 2017. C2V+, a VolkerStevin and CH2M (now part of Jacobs) joint venture was appointed as one of UU's Construction Delivery Partners (CDP) which 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 water and waste water. It comprises multidisciplinary activities including design, project management, construction, testing, commissioning and maintenance of water & waste water treatment works, pipelines, pumping stations, reservoirs and mechanical and electrical installations.

During 2017, we worked on several projects including flagship schemes at Oswestry WTW in Cheshire, Anchorsholme Park on the Fylde coast and Morecambe Wwtw in Lancashire.

At Oswestry, we are delivering a water treatment works overhaul that includes a UK-first treatment process which harnesses chlorine dioxide, a powerful oxidant which will facilitate manganese removal. The project involves constructing two large rectangular tanks - using about 2,000 precast concrete sections. The use of Design for Manufacture and Assembly (DfMA) has been extensively used. From concept stage the works have been developed to minimise effort on-site through the manufacture of products that can be pre-made off-site. Overall this has created a safer and more efficient construction process.

Following the year end, a subcontractor on the Oswestry contract has defaulted in their obligations which has led to a delay in the programme and significant prolongation costs. We are still assessing the impact of this and any recoverable amount that may be reclaimed. Therefore we expect the financial impact of this to be recorded in the next period.

Anchorsholme Park Phase 2 was directly allocated to C2V+ as a result of the successful delivery and stakeholder engagement during Phase 1. 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.

# **VolkerStevin Limited**

## **Strategic Report**

### **for the year ended 31 December 2017**

---

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

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

Work at Morecambe Wastewater Treatment works (WwTw) started in Q2 2017 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.

Our plan is to continue our development in the water sector building on our AMP6 CDP experience with UU with further growth into AMP7. Much effort is being made to secure the contract extension with UU into AMP7. Alongside this, our water teams are positioning for similar AMP7 capital delivery partner roles with Yorkshire Water and Severn Trent Water as well as a number of standalone individual projects with other water companies.

##### **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 completed at the Avenue Coking Works at Chesterfield, recognised as one of Europe's most contaminated sites. These works have been ongoing since 2007 and have been valued in excess of £100m. 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.

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

Restructuring during 2017 saw new reporting lines for VolkerInfra. VolkerStevin (VS) now has responsibility for developing and growing the specialist VolkerInfra (VI) division which specialises in Horizontal Directional Drilling (HDD) and Extra-High Voltage (EHV) cabling, switchgear, and grid connections.

Dutch sister company Visser & Smit Hanab BV (VSH), is a global specialist in underground pipelines and cable infrastructure with market leading engineering expertise in HDD. VSH and VI have been working in partnership in the UK for over 30 years and since the UK restructuring see an opportunity to strengthen the relationship and grow the UK HDD market together.

In September 2017 the VI/VSH team secured a major HDD contract with Scottish Power Renewables for the landfall of East Anglia 1, a UK offshore wind farm. This has created a platform from which VS/VSH have developed a new JV to explore UK HDD market opportunities. The business will trade as VolkerTrenchless Solutions and brings together the best people and resources from both businesses.

Further growth is expected in 2018 and beyond with a number of similar opportunities in the renewable energy sector identified and a push into new markets including utilities and rail.

##### **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 on its long term frameworks and will continue to be selective on external market opportunities, managing a balanced pipeline of identified schemes.

At 31 December 2017 the Group's secured order book stood at £211.9m. This represents an increase of £41.2m in secured work since last year, illustrating 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).

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2017

---

#### Recognition of our success

We are always delighted when our project teams and business are recognised by our industry, and in 2017 we received a number of awards and commendations including:

- RoSPA Gold Award for the 7<sup>th</sup> year running
- 2 Considerate Constructors Scheme (CCS) Awards
- Environment Agency Project Excellence Awards, Sustainable Resource Management Award - Dawlish Warren beach management scheme, Environment Agency
- Environment Agency Project Excellence Awards, Winner of the Asset Management category - Flood Incident Response, Cumbria & Lancashire 2015/16, Environment Agency.

#### 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.

In 2017 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.

#### Relevant statistics – health and safety

- Accident frequency rate (AFR) of 0.13
- Over 3 million man hours completed with 4 RIDDOR reportable accidents
- RoSPA Gold Award for the 7<sup>th</sup> year running

#### 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 2017

---

#### 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 continuous improvement in sustainability from Planet First, an international sustainability certification organisation.
- 91% of waste diverted from landfill
- Associate Member of Considerate Constructors Scheme (CCS) with average score of 39.75 out of 50 across our projects in 2017
- 4 Considerate Constructors Scheme (CCS) Awards

#### Integrity

Integrity is of paramount importance – it is one of our core values.

Every one of our employees and those who work closely with us are accountable to this key value. We expect our people to be open and honest, to run our business ethically and to become 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 corporative, 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.

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.

#### 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.

	<i>Health, safety and quality</i>
<i>Risk and Impact</i>	<i>Mitigation</i>
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.	<ul style="list-style-type: none"><li>• Culture, policy and strategy established by effective leadership</li><li>• Clearly defined management systems, registered to ISO and OHSAS standards</li><li>• Interfaces and responsibilities that are understood and accepted by all</li><li>• Board level focus on all HSEQ matters</li><li>• Behavioural programmes and Health and well-being programmes</li><li>• Corporate governance, Inspection and audit</li></ul>
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.	

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2017

---

#### Risk Management (continued)

<i>Risk and Impact</i>	<i>People, culture and values</i>	<i>Mitigation</i>
Our success is dependent on the recruitment, development, wellbeing and retention of our exceptional people who share our core values and culture.	<ul style="list-style-type: none"> <li>• Board level focus on all people matters to ensure a diverse and inclusive culture</li> <li>• Succession Planning to ensure strong talent pipeline</li> <li>• Investment in learning and development and new Learning Management System</li> <li>• Co-ordinated Graduate and Apprenticeship programmes</li> <li>• Senior leadership and development programmes</li> <li>• Employee survey to obtain regular feedback</li> </ul>	
The risk is that we are unable to recruit or retain adequate high quality resources to deliver our programmes.		

<i>Risk and Impact</i>	<i>Pre-construction</i>	<i>Mitigation</i>
It is our vision to lead the Industry in our approach to project risk management which starts at the pre-construction stage.	<ul style="list-style-type: none"> <li>• Systematic review and challenge of the quality of our submissions and pricing</li> <li>• Forum group reviewing current processes and implementing additional/improved systems where required</li> <li>• Focused, risk based approach to tendering</li> <li>• Defined delegated authority levels for approving all tenders</li> <li>• Listening to our clients to meet and exceed their expectations in all areas</li> <li>• Ensuring lessons learnt applied through tender review processes</li> </ul>	
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.		

<i>Risk and Impact</i>	<i>Engineering and operational delivery</i>	<i>Mitigation</i>
Successful delivery of our complex engineering and construction projects is dependent on the effective implementation and maintenance of operational and commercial procedures and controls.	<ul style="list-style-type: none"> <li>• Recruitment and retention of capable people and supply chain</li> <li>• Procure quality components through sustainable and ethical sourcing</li> <li>• Deliver projects that demonstrate excellence in design and construction</li> <li>• Ensure high quality standards through audit and application of lessons learnt</li> <li>• Appropriate insurance policies in place</li> </ul>	
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.		

<i>Risk and Impact</i>	<i>Environmental</i>	<i>Mitigation</i>
We are very aware that construction has a significant effect on the environment and the communities in which we work.	<ul style="list-style-type: none"> <li>• Culture, policy and strategy established by effective leadership</li> <li>• Board level focus on all HSEQ matters</li> <li>• Clearly defined management systems, registered to ISO standards</li> <li>• Interfaces and responsibilities that are understood and accepted by all</li> <li>• Behavioural programmes</li> <li>• Inspection and audit</li> </ul>	
Adverse impacts on the environment and breaches of legislation can lead to environmental harm, reputational damage and enforcement action.		

<i>Risk and Impact</i>	<i>Systems and processes</i>	<i>Mitigation</i>
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.	<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>	
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.		

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2017

---

#### Risk Management (continued)

<i>Risk and Impact</i>	<i>Adequacy of insurance</i>	<i>Mitigation</i>
We maintain appropriate insurance programmes to mitigate against significant losses in line with general industry practice.	<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>	
Lack of adequate insurance cover could result in potential financial loss or penalties.		

<i>Risk and Impact</i>	<i>Financial risk</i>	<i>Mitigation</i>
It is essential to fully understand the financial position of our partners in all of our contractual relationships.	<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>	
Failure of our partners including financial institutions, customers, joint-venture partners and our supply chain could potentially affect short-term cash flows.		

<i>Risk and Impact</i>	<i>Fraud</i>	<i>Mitigation</i>
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.	<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>	
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.		

<i>Risk and Impact</i>	<i>Political, market and economic risk</i>	<i>Mitigation</i>
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.	<ul style="list-style-type: none"> <li>Key individuals responsible for monitoring changes in legislation to adapt or react appropriately to policy changes</li> <li>Regular reviews to ensure that we are not overly exposed to any one aspect of market risk</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> <li>Actively monitor the situation with respect to the UK leaving the European Union and anticipate or respond to any risks or opportunities this might present</li> </ul>	
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.		
The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets.		

#### 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 2017.

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.

# VolkerStevin Limited

## Strategic Report

### for the year ended 31 December 2017

---

#### Our People (continued)

##### Developing and retaining our people

We have improved our learning and development processes to build up skills internally and throughout 2017 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.

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 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.

The wide range of disciplines used 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 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 end up working 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*

- Employee engagement 84%
- 93% 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.

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. 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 2017**

---

#### **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  
14 June 2018  
VolkerStevin Limited  
Company registered number: 00288392



Hertford Road  
Hoddesdon  
Hertfordshire  
EN11 9BX

# **VolkerStevin Limited**

## **Directors' Report**

### **for the year ended 31 December 2017**

---

The Directors present their annual Directors' Report and audited financial statements for the year ended 31 December 2017.

#### **Dividends**

The Directors do not recommend the payment of a final dividend (2016: £nil). An interim dividend of £nil was paid during the year (2016: £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  
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 were made during the year and 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 £600 (2016: £1,500). The Company did not knowingly make any political donations or incur any political expenditure during the year (2016: £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 is given in note 18 of the financial statements.

**VolkerStevin Limited**  
**Directors' Report**  
**for the year ended 31 December 2017**

---

**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  
14 June 2018  
VolkerStevin Limited  
Company registered number: 00288392

Hertford Road  
Hoddesdon  
Hertfordshire  
EN11 9BX

## **VolkerStevin Limited**

### **Directors' Responsibilities Statement**

### **for the year ended 31 December 2017**

---

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 2017

---

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 of VolkerStevin Limited (the 'company') 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 24.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### 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 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 2017

---

## 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 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.

## 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.

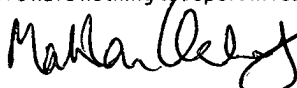
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 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.



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

14 June 2018

**VolkerStevin Limited**  
**Income Statement**  
**for the year ended 31 December 2017**

---

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Revenue</b>	<b>3</b>	<b>173,201</b>	<b>153,265</b>
Cost of sales		<b>(162,340)</b>	<b>(144,568)</b>
<b>Gross profit</b>		<b>10,861</b>	<b>8,697</b>
Administrative expenses		<b>(6,520)</b>	<b>(6,205)</b>
<b>Operating result</b>	<b>4</b>	<b>4,341</b>	<b>2,492</b>
Financial income	<b>7</b>	<b>-</b>	<b>6</b>
Financial expense	<b>8</b>	<b>(907)</b>	<b>(267)</b>
<b>Profit before tax</b>		<b>3,434</b>	<b>2,231</b>
Taxation	<b>9</b>	<b>(782)</b>	<b>(447)</b>
<b>Profit for the year</b>		<b>2,652</b>	<b>1,784</b>

All results derive from continuing operations.

The notes on pages 22 to 46 form an integral part of the financial statements.

**VolkerStevin Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 December 2017**

---

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Profit for the year		<b>2,652</b>	<b>1,784</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains/(losses) on defined benefit pension plans	<i>16</i>	<b>68</b>	<b>(863)</b>
Tax recognised on actuarial (losses)/gains	<i>9</i>	<b>(12)</b>	<b>147</b>
<b>Other comprehensive income/(expense) for the year, net of tax</b>		<b>56</b>	<b>(716)</b>
<b>Total comprehensive income for the year</b>		<b>2,708</b>	<b>1,068</b>

The notes on pages 22 to 46 form an integral part of the financial statements.

**VolkerStevin Limited**  
**Statement of Financial Position**  
**as at 31 December 2017**

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Non current assets</b>			
Property, plant and equipment	10	425	394
Trade and other receivables	13	6,798	6,306
Deferred tax assets	12	686	1,167
		<b>7,909</b>	<b>7,867</b>
<b>Current assets</b>			
Trade and other receivables	13	39,570	34,860
Tax receivables		387	392
Cash and cash equivalents	14	10,862	6,577
		<b>50,819</b>	<b>41,829</b>
<b>Total assets</b>		<b>58,728</b>	<b>49,696</b>
<b>Equity</b>			
Share capital	17	8,000	8,000
Retained earnings		11,771	9,063
<b>Total equity</b>		<b>19,771</b>	<b>17,063</b>
<b>Non current liabilities</b>			
Trade and other payables	15	2,220	1,902
Employee benefits	16	1,679	2,166
		<b>3,899</b>	<b>4,068</b>
<b>Current liabilities</b>			
Trade and other payables	15	35,058	28,565
		<b>35,058</b>	<b>28,565</b>
<b>Total liabilities</b>		<b>38,957</b>	<b>32,633</b>
<b>Total equity and liabilities</b>		<b>58,728</b>	<b>49,696</b>

These financial statements were approved by the Board of Directors on 14 June 2018 and were signed on its behalf by:

RD Coupe  
 Director  
 Company registered number: 00288392

The notes on pages 22 to 46 form an integral part of the financial statements.

**VolkerStevin Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2017**

---

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	8,000	7,995	15,995
<b>Comprehensive income</b>			
Profit for the year	-	1,784	1,784
Actuarial loss on defined benefit pension plans, net of tax	-	(716)	(716)
<b>Total comprehensive income</b>	-	1,068	1,068
<b>Balance at 31 December 2016</b>	<b>8,000</b>	<b>9,063</b>	<b>17,063</b>
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/(loss) 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>

The notes on pages 22 to 46 form an integral part of the financial statements.

**VolkerStevin Limited**  
**Cash flow Statement**  
**for the year ended 31 December 2017**

---

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Cash flow relating to operating activities</b>	<b>19</b>	<b>4,549</b>	<b>(631)</b>
Interest paid		<b>(857)</b>	<b>(209)</b>
Tax received		<b>714</b>	<b>1,100</b>
<b>Net cash from operating activities</b>		<b>4,406</b>	<b>260</b>
 <b>Cash flows relating to investing activities</b>			
Proceeds from sale of plant, property and equipment		<b>2</b>	<b>16</b>
Interest received		<b>-</b>	<b>2</b>
Acquisition of plant, property and equipment	<b>10</b>	<b>(123)</b>	<b>(161)</b>
<b>Net cash used in investing activities</b>		<b>(121)</b>	<b>(143)</b>
 <b>Net increase in cash and cash equivalents</b>		<b>4,285</b>	<b>117</b>
Cash and cash equivalents at 1 January		<b>6,577</b>	<b>6,460</b>
 <b>Cash and cash equivalents at 31 December</b>	<b>14</b>	<b>10,862</b>	<b>6,577</b>

The notes on pages 22 to 46 form an integral part of the financial statements.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

---

#### 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.

##### 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 11. In addition, note 18 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 18 (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 2017

---

## 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 Construction contract debtors

Construction contract debtors represent the gross unbilled income for contract work performed to date. They are measured at cost plus profit recognised to date (see revenue accounting policy) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of trade and other receivables in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as 'amounts due to customers for contract work' in the statement of financial position. 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.

### 2.10 Impairment excluding 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; a financial asset is considered to be impaired if objective evidence exists that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

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

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

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

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

---

## 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, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

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

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.

### 2.14 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.

# **VolkerStevin Limited**

## **Notes to the Financial Statements**

### **for the year ended 31 December 2017**

---

#### **2 Accounting policies (continued)**

##### **2.15 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.

##### **2.16 Revenue**

Revenue represents the value of work done in the year and includes work that has in whole or part been subcontracted out. All amounts are exclusive of value added tax.

##### **Construction contracts**

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.

Further details on revenue recognition are included in note 24(a).

##### **Service contract revenues**

Revenue from service contracts rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the contract costs incurred up to the year-end as a percentage of total estimated costs for each contract.

##### **2.17 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.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

---

## 2 Accounting policies (continued)

### 2.18 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.

### 2.19 Adopted IFRSs not yet applied

New amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2017 are listed below. The new amendments had no significant impact on the Company's results other than certain revised disclosures:

- IAS 12 (amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses'
- IAS 7 (amendments) 'Statement of Cashflows - Disclosure Initiative'
- IFRS 12 (amendments) 'Clarification of the scope of IFRS 12 with regard to assets held for sale'

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

- 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)<sup>1</sup>
- 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)
- IFRS 16 'Leases' (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)

### Estimated 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. The Company is in the process of finalising its detailed assessment of the impact of each of the new standards on the Company's financial statements. The Company has completed an initial assessment, the major findings of which are presented below.

#### 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 are broadly consistent with IFRS 15. The requirements which may have an impact or which will require further assessment are discussed below:

#### *Re-allocation of transaction price*

IFRS15 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.

To date, no contracts have been identified as needing to be combined. A number of contracts with multiple performance obligations have been identified. We are assessing the impact the new requirements will have on the allocation of revenue.  
All revenue relates to sales made in the United Kingdom.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

---

## 2 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.
4. The rules for uninstalled materials are complex and result in either capitalisation (inventory) or a separate performance obligation.

These changes are expected to have an impact on the timing of revenue recognition for certain contracts. Any impact of initial recognition will be shown as an adjustment to opening retained earnings (see the section on transition below). We are assessing the impact the new requirements will have on the Company's financial statements.

### *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. Current policy is to recognise revenue where it is reasonably likely it will be agreed. We are assessing the impact the new requirement will have on the Company's revenue recognition in relation to variable consideration.

### *Significant financing costs/revenue*

IFRS15 requires financing costs/revenue to be removed from the project and reported separately as interest expense/income. This could have an impact on project margin and revenue timing. No examples, which meet the criteria of significant financing costs/revenue, have been identified.

### *Transition*

The Company plans to adopt IFRS 15 using the cumulative effect method. The cumulative effect of initially applying this standard will be shown as an adjustment to retained earnings at the date of first application (i.e. 1 January 2018). The Company will not be applying the requirements of IFRS15 to the comparative period presented.

## 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.

We are assessing the impact the new requirements will have on the Company's treatment of Financial Assets.

### *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 expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables and contract assets as required or permitted by IFRS 9. We are assessing the impact the new requirements will have on the Company's accounting for trade receivables and contract assets.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

---

## 2 Accounting policies (continued)

### *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. We are assessing the impact the new requirements will have on the Company's accounting for hedges.

### *Transition*

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

## 3 Revenue

Revenues are comprised as follows:

	2017 £000	2016 £000
Construction contract revenues	173,201	153,265
Total revenues	<u>173,201</u>	<u>153,265</u>

## 4 Operating result

Operating result is stated after charging:

	2017 £000	2016 £000
<i>Depreciation of property, plant and equipment</i>		
- owned assets	90	79
<i>Operating lease charges</i>		
- land & buildings	860	673
Gain on disposal of property, plant and equipment	-	(4)
<i>Auditor's remuneration</i>		
- audit of these financial statements	<u>71</u>	<u>47</u>

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

---

**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:

	2017 No	2016 No
Management & administrative	62	55
Operational	374	337
	<u>436</u>	<u>392</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	19,782	16,205
Social security costs	2,187	1,756
Contributions to defined contribution plans	1,464	1,087
Contributions in respect of defined benefit plans	469	420
	<u>23,902</u>	<u>19,468</u>

**6 Directors' remuneration**

	2017 £000	2016 £000
Directors' emoluments	686	606
Company contributions to money purchase pension plans	19	18
	<u>705</u>	<u>624</u>

The emoluments of the highest paid Director were £445,000 (2016: £386,000) and company pension contributions of Enil (2016: Enil) were made to a money purchase scheme on his behalf. Only 2 Directors are remunerated through the Company (2016: 2). The other Directors are remunerated through other Group companies.

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

	2017 No	2016 No
Money purchase schemes	2	2

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

---

**7 Financial income**

	2017 £000	2016 £000
Interest income on short-term bank deposits	-	6
<b>Total financial income</b>	<b>-</b>	<b>6</b>

**8 Financial expense**

	2017 £000	2016 £000
Net interest on the net defined benefit liability	50	54
Amounts payable to group undertakings	56	71
Foreign currency losses	801	142
<b>Total financial expense</b>	<b>907</b>	<b>267</b>

**9 Taxation**

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

	2017 £000	2016 £000
<i>Current tax expense</i>		
UK corporation tax:		
Current year	313	1
Adjustments for prior periods	-	61
<b>Current tax expense</b>	<b>313</b>	<b>62</b>
<i>Deferred tax expense (see note 12)</i>		
Origination and reversal of temporary differences	304	324
Change in tax rate	(20)	22
Adjustments for prior periods	185	39
<b>Deferred tax expense</b>	<b>469</b>	<b>385</b>
<b>Total tax expense</b>	<b>782</b>	<b>447</b>



# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

#### 9 Taxation (continued)

##### b) Reconciliation of effective tax rate

The total tax charge for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £000	2016 £000
<b>Profit for the year</b>	<b>2,652</b>	<b>1,784</b>
<b>Total tax expense</b>	<b>782</b>	<b>447</b>
<b>Profit excluding taxation</b>	<b>3,434</b>	<b>2,231</b>
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	661	446
<i>Effects of:</i>		
Non-deductible expenses	14	(24)
Changes in tax rates	(20)	22
R&D expenditure credit <sup>1</sup>	(62)	(102)
Depreciation on ineligible	4	5
Adjustments for prior periods	185	100
<b>Total tax expense</b>	<b>782</b>	<b>447</b>

[1] The credit adjustment in the reconciliation 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.

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

	2017 £000	2016 £000
Deferred tax (debit)/credit recognised directly in other comprehensive income	(12)	147

##### 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 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.

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

**10 Property, plant and equipment**

	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
<b>Cost</b>			
At 1 January 2016	771	670	1,441
Additions	-	161	161
Disposals	-	(45)	(45)
At 31 December 2016	771	786	1,557
At 1 January 2017	771	786	1,557
Additions	-	123	123
Disposals	-	(61)	(61)
At 31 December 2017	771	848	1,619
<b>Depreciation and impairment</b>			
At 1 January 2016	473	645	1,118
Charge for the year	19	60	79
Disposals	-	(34)	(34)
At 31 December 2016	492	671	1,163
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
<b>Net book value</b>			
At 31 December 2017	261	164	425
At 31 December 2016	279	115	394
At 1 January 2016	298	25	323

Plant and machinery includes a share of joint operations assets at a cost of £48,000 (2016: £61,000) and depreciation of £29,000 (2016: £58,000).

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

---

**11 Investments**

The Company has the following investments in jointly controlled operations:

Jointly controlled operations	Principal activities	JCO partner	Address	Company Share %	
				2017	2016
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 2017**

**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>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, plant and equipment	401	487	-	-
Losses carried forward	-	312	-	-
Employee benefits	285	368	-	-
<b>Tax assets/(liabilities)</b>	<b>686</b>	<b>1,167</b>	<b>-</b>	<b>-</b>

At the year-end, the Company has unused tax losses of £nil (2016: £709,000) available for offset against future profits. A deferred tax asset of £nil (2016: £312,000) has been recognised in respect of income tax losses.

**b) Movement in deferred tax in the 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
	<b>1,167</b>	<b>(469)</b>	<b>(12)</b>	<b>686</b>

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

	<b>1 January 2016</b>	<b>Charge in profit or loss</b>	<b>Charge in other comprehensive income</b>	<b>31 December 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, plant and equipment	404	83	-	487
Losses carried forward	701	(389)	-	312
Employee benefits	300	(79)	147	368
	<b>1,405</b>	<b>(385)</b>	<b>147</b>	<b>1,167</b>

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

---

**13 Trade and other receivables**

	2017 £000	2016 £000
Trade receivables	9,211	7,372
Amounts due from construction contract customers	25,726	22,177
Amounts owed by group undertakings	9,944	9,402
Prepayments	986	1,775
Other receivables	501	440
	<u>46,368</u>	<u>41,166</u>
Current	39,570	34,860
Non current	6,798	6,306
	<u>46,368</u>	<u>41,166</u>

At 31 December 2017, aggregated costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £144,808,000 (2016: £158,155,000).

At 31 December 2017, trade receivables include retentions of £6,798,000 (2016: £6,306,000) relating to construction contracts in progress.

**14 Cash and cash equivalents**

	2017 £000	2016 £000
Cash and cash equivalents	10,862	6,577
	<u>10,862</u>	<u>6,577</u>

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

**15 Trade and other payables**

	2017 £000	2016 £000
Trade payables	23,323	22,685
Other trade payables	1,755	1,765
Tax and social security costs	6,301	3,284
Amounts due to construction contract customers	4,078	1,607
Amounts due to group undertakings	1,821	1,126
	<b>37,278</b>	<b>30,467</b>
Current	35,058	28,565
Non-current	2,220	1,902
	<b>37,278</b>	<b>30,467</b>

Included within Trade payables is £2,220,000 (2016: £1,902,000) expected to be settled in over 12 months.

Included within Trade payables are contract accruals of £21,727,000 (2017: £15,288,000, which comprises of amounts due to subcontractors, goods received not yet invoiced and other contract related accruals).

**16 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 £1,464,000 (2016: £1,087,000) and the creditor outstanding relating to the plan at 31 December 2017 was £nil (2016: £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.

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

**16 Employee benefits (continued)**

*Summary*

A summary of the plan is as follows:

	2017 £000	2016 £000
Defined benefit assets	32,457	31,332
Defined benefit liability	(34,136)	(33,498)
Net liability for defined benefit obligations	(1,679)	(2,166)
Total employee benefits	(1,679)	(2,166)

*Movement in net defined benefit asset*

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset / (liability)	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Balance at 1 January	(33,498)	(28,577)	31,332	26,908	(2,166)	(1,669)
Included in profit or loss						
Interest (cost) / income	(854)	(1,036)	804	982	(50)	(54)
Administration costs	-	-	-	-	-	-
	(34,352)	(29,613)	32,136	27,890	(2,216)	(1,723)
Included in OCI						
Remeasurements gain/(loss):						
Actuarial gain/(loss) arising from						
• Changes in demographic assumptions	129	379	-	-	129	379
• Changes in financial assumptions	(27)	(5,790)	-	-	(27)	(5,790)
• Experience adjustment	(1,161)	362	-	-	(1,161)	362
Return on plan assets excluding interest income	-	-	1,127	4,186	1,127	4,186
	(1,059)	(5,049)	1,127	4,186	68	(863)
Other						
Contributions paid by the employer	-	-	469	420	469	420
Benefits paid	1,275	1,164	(1,275)	(1,164)	-	-
Balance at 31 December	(34,136)	(33,498)	32,457	31,332	(1,679)	(2,166)

*Plan assets*

	2017 £000	2016 £000
Cash and cash equivalents	872	1,387
Equities and other growth assets	15,603	9,837
Bonds and liability driven investments	12,149	16,621
Property	3,833	3,487
Total	32,457	31,332

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.

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

#### 16 Employee benefits (continued)

##### Actuarial assumptions

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

	2017 %	2016 %
Discount rate	2.5	2.6
RPI Inflation	3.2	3.3
CPI Inflation	2.2	2.3
CPI inflation linked increases in deferment	2.2	2.3
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.3
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.2
RPI inflation linked increases in deferment	3.2	3.3

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	20.9	22.7
Future retiree upon reaching 65 in 20 years	21.9	24.0

##### 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	2017 +0.5% £000	2017 -0.5% £000	2016 +0.5% £000	2016 -0.5% £000
Discount Rate	+/- 0.5%	(2,390)	2,731	(2,345)	2,680
Inflation (RPI)	+/- 0.5%	2,390	(2,390)	2,010	(2,345)

In valuing the liabilities of the pension fund at £34,136,000, 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 2017 would have increased by £1,707,000 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 £480,000 pa in the year beginning 1 January 2018 and increasing by 2.7% pa in each subsequent 1 January. The Company expects to pay £480,000 to the Scheme during the accounting year beginning 1 January 2018. The Company will also meet all expenses directly.



# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

#### 17 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 2016	8,000	8,000
At 1 January and 31 December 2017	8,000	8,000

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

#### 18 Financial instruments

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

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

The fair value of trade and other receivables, excluding construction contract debtors, is estimated 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:

	2017 £000	2016 £000
Loans and receivables	45,382	39,391
Cash and cash equivalents (see note 14)	10,862	6,577
<b>Total financial assets</b>	<b>56,244</b>	<b>45,968</b>
Financial liabilities measured at amortised cost		
Trade and other payables	30,977	27,183
<b>Total financial liabilities at amortised cost</b>	<b>30,977</b>	<b>27,183</b>
<b>Total financial instruments</b>	<b>25,267</b>	<b>18,785</b>

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

---

#### 18 Financial instruments (continued)

Loans and receivables above exclude prepayments.

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

#### b) Credit risk

##### *Financial risk management*

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

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the year-end, namely cash and cash equivalents and trade and other receivables. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by 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.

##### *Exposure to credit risk*

The carrying amount of trade and other receivables in financial assets represents the maximum credit exposure which was £45,382,000 at 31 December 2017 (2016: £39,391,000). The maximum exposure to credit risk for trade receivables at the year-end by business segment and type of customer was as follows:

	2017 £000	2016 £000
Civil Engineering	9,211	7,372
Public sector customers	2,189	3,761
Private sector customers	7,022	3,611
	9,211	7,372

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

**18 Financial instruments (continued)**

*Credit quality of financial assets and impairment losses*

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

	2017		2016	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	7,545	-	6,917	-
Past due (0-30 days)	538	-	292	-
Past due (31-120 days)	1,128	-	163	-
	<b>9,211</b>	<b>-</b>	<b>7,372</b>	<b>-</b>

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.

**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>2017</b>				
Trade and other payables	30,977	30,977	28,757	2,220
	<b>30,977</b>	<b>30,977</b>	<b>28,757</b>	<b>2,220</b>
<b>2016</b>				
Trade and other payables	27,183	27,183	25,281	1,902
	<b>27,183</b>	<b>27,183</b>	<b>25,281</b>	<b>1,902</b>

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

#### 18 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 (2016: £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:

31 December 2017	Euro £000
Cash and cash equivalents	2,013
Statement of financial position exposure	2,013
31 December 2016	Euro £000
Cash and cash equivalents	58
Statement of financial position exposure	58

###### *Sensitivity analysis*

A 10 percent movement of the euro against the pound sterling at 31 December 2017 would have changed equity and profit by £200,000 (2016: £nil). 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:

	2017 £000	2016 £000
Variable rate instruments		
Financial assets	10,862	6,577

A change of 100 basis points in interest would either increase or decrease equity by £109,000 (2016: £66,000). 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 2017**

---

**18 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 2017 and 2016.

**19 Cash flows from operating activities**

	2017 £000	2016 £000
Profit for the year	2,652	1,784
<i>Adjustments for:</i>		
Depreciation	90	79
Financial income	-	(6)
Financial expense	907	267
Profit on sale of property, plant and equipment	-	(4)
Payments to defined benefit plans	(469)	(420)
Taxation	782	447
R & D expenditure credit	(1,022)	(826)
	<b>2,940</b>	<b>1,321</b>
Increase in trade and other receivables	(5,202)	(2,219)
Increase in trade and other payables	6,811	267
	<b>4,549</b>	<b>(631)</b>

# VolkerStevin Limited

## Notes to the Financial Statements

### for the year ended 31 December 2017

#### 20 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Plant and machinery	
	2017	2016	2017	2016
	£000	£000	£000	£000
Less than one year	344	343	-	-
Between one and five years	492	653	-	-
More than five years	-	-	-	-
	<b>836</b>	<b>996</b>	<b>-</b>	<b>-</b>

The Company leases properties, vehicles and equipment for operational purposes. These leases have remaining term of between 1 month and 3.7 years. No leases include contingent rentals.

#### 21 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 statement 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 £11,306,000 (2016: £6,164,000).

The Company is jointly and severally liable for the debts of jointly controlled operations. At the year-end no liability existed (2016: £nil).

#### 22 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:

	2017	2016
	£000	£000
Short-term employee benefits	686	606
Post-employment benefits (defined contribution plan)	19	18
	<b>705</b>	<b>624</b>

**VolkerStevin Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2017**

**22 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
	£000	£000	£000
<b>Amounts owed by undertakings</b>			
<b>2017</b>			
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
	£000	£000	£000
<b>Amounts owed by undertakings</b>			
<b>2016</b>			
At start of year	-	7,055	7,055
Sales/Income	-	58,772	58,772
Receipts	-	(56,425)	(56,425)
At end of year	-	9,402	9,402

	Parent undertakings	Fellow subsidiary undertakings	Total
	£000	£000	£000
<b>Amounts owed to undertakings</b>			
<b>2017</b>			
At start of year	5	1,121	1,126
Expenses and Dividends payable	207	18,930	19,137
Payment	-	(18,442)	(18,442)
At end of year	212	1,609	1,821

	Parent undertakings	Fellow subsidiary undertakings	Total
	£000	£000	£000
<b>Amounts owed to undertakings</b>			
<b>2016</b>			
At start of year	67	1,524	1,591
Expenses	(62)	39,244	39,182
Payment	-	(39,647)	(39,647)
At end of year	5	1,121	1,126

*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 2017**

---

#### **23 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.

#### **24 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 categorisation of contracts in whole or part as Construction contracts or Service Contracts is based on the nature of the works provided under the contract with regard to IAS 11 and IAS 18 respectively.

##### **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 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.

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.

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) Claims*

Management's best judgement is taken into account in reporting disputed amounts, legal cases and claims but the actual outcome in future may be different from this judgement.