VolkerStevin

VolkerStevin Limited

Annual Report and Financial Statements

Registered number: 00288392

For the year ended 31 December 2021

VolkerStevin Limited
Contents

VolkerStevin Limited
Company Information

Directors
J Cox (Managing Director)
NA Connell
AR Robertson
JM Suckling
MG Woods
VolkerWessels UK Limited

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

Registered Office
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Registered Number
00288392

Regional Offices

The Lancashire Hub	White Lund Trading Estate	Hertford Road	Unit 26/27 Bakers Yard
Preston City Park	Morecambe	Hoddesdon	Christon Road, Gosforth
Bluebell Way	Lancashire	Hertfordshire	Newcastle upon Tyne
Preston	LA3 3BY	EN11 9BX	NE3 1XD
PR2 5PE			

Principal Bankers

Royal Bank of Scotland plc	*BNP Paribas Fortis*
135 Bishopsgate	10 Harewood Avenue
London	London
EC2M 3UR	NW1 6AA

Principal activities

VolkerStevin Limited is a national engineering services provider with its core activities focussed around civil engineering. It provides complex engineering solutions through three principal sector-led business streams; Marine and Defence, Water and Environment and Energy.

Business review

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

Financial key performance indicators

	2021 £000	2020 £000
Revenue	**140,494**	141,597
Gross loss	**(9,154)**	(9,588)
Gross loss margin	**(6.5)%**	(6.8)%
Operating result	**(10,806)**	(11,156)
Operating result margin	**(7.7)%**	(7.9)%
Loss before tax	**(11,106)**	(11,278)
Loss before tax margin	**(7.9)%**	(8.0)%
Cash and cash equivalents	**32,036**	9,657
Net assets/(liabilities)	**13,270**	(566)
Forward Secured order book[1]	**242,638**	238,467

Non-financial key performance indicators

		2021	2020
Health and wellbeing			
Safety	Accident frequency rate (AFR)[2]	**0.08**	0.16
Natural environment			
Raw material	Waste diverted from landfill (percentage)	**98.8**	94.0
CO_2 emissions (scope 1 & 2)	Carbon dioxide footprint in kilotons (tonnes/million revenue)[3]	**35.1**	43.3
People and culture			
Employee engagement	Employee survey score across 4 key engagement metrics (percentage)[4]	**85**	N/a

The non-financial key performance indicators presented above are for the group headed by the Company's immediate parent, VolkerStevin Group Limited, as this information is not available at company level.

Footnotes

[1] Forward secured order book is calculated by taking the value of future secured work, where the relevant contract or letter of intent has been received, the terms are agreed and the contract has been executed or will in all certainty be executed by both parties.

[2] The Reporting of Injuries, Diseases and Dangerous Occurences Regulations 2013 (RIDDOR) excluding dangerous occurrences are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. Accident Frequency Rate (AFR) = (number of RIDDOR reportable injuries ÷ total work hours) x 100,000.

[3] The data contained in the table above is 'non-normalised'; this means that we are reporting the total emissions within the reporting period. Normalised data reflects a like-for-like comparison on the data and emission sources between 2020 and 2021. On a normalised basis our carbon dioxide footprint for 2021 was 34.56 (2020: 43.3).

[4] We did not undertake a new full employee engagement survey during 2020. We did however undertake a number of pulse surveys focussed on the specific challenges being met by our employees during these unprecedented times of COVID-19.

Business review (continued)

Context

This report was prepared at a time when the country had emerged from lockdown, however during the course of 2021 many parts of the business continued to be marked by the global COVID-19 pandemic which continued to have an effect on the financial performance during the year. As a business we continued to monitor and respond to the challenges of delivering consistently throughout the pandemic.

Paramount to our operations are our people and their health and safety. First and foremost, throughout the pandemic we complied with government guidelines, ensuring that the wide variety of tasks that are undertaken on a daily basis were modified as required to accord with the guidance as it evolved. In addition, the business provided support to all its employees to ensure they could continue to work either on site or remotely, with those whose roles permit them to, working from home as and when appropriate. For colleagues in key operational roles, we ensured that strict safety requirements, hygiene education, appropriate personal protective equipment and social distancing measures were implemented. We also took steps to protect our colleagues who are considered the most vulnerable across the business.

We worked closely with customers and suppliers to ensure that service levels and payment practices continued on a 'business as usual' basis, wherever possible, and liaised with government and industry bodies to ensure that the industry perspective and needs were considered in policy decision making. Our teams remained fully operational throughout the year and we are grateful to the efforts our whole workforce, as well as our supply chain partners and other stakeholders who support us.

Trading conditions in the UK remained challenging throughout 2021, largely due to the COVID-19 pandemic and also towards the end of the year, due to global price rises and emerging materials and labour shortages. Although the UK-EU Trade and Co-operation Agreement ('TCA') was in place for 2021, uncertainty remained around the full effect of Brexit and the ongoing impact of some of our trading relationships for a significant part of 2021. Whilst our understanding of the impacts of Brexit have become clearer, current economic headwinds of significant increases in both materials and labour prices due to scarcity of supply are having a significant ongoing impact on our industry.

The Government's 2021 spending review confirmed the investment into the infrastructure plan of £100 billion of capital expenditure in 2021-22 to kickstart growth and support jobs. It gave multi-year funding certainty for existing projects, such as school and hospital rebuilding and flagship transport schemes, and targeted additional investment in areas which will improve the UK's competitiveness in the long-term, backing new investments in cutting-edge research and clean energy sources of the future. Increased infrastructure investment was further supported by a new National Infrastructure Strategy, which set out the Government's plans to transform the UK's economic infrastructure. It is based around three central objectives: economic recovery, levelling up and unleashing the potential of the Union, and meeting the UK's net zero emissions target by 2050. These objectives will be supported by the creation of a new infrastructure bank to catalyse private investment in projects across the UK; as well as through a comprehensive set of reforms to the way infrastructure is delivered. This provides some comfort to the construction industry; however, the speed of decision making to bring specific project investment forward does not yet appear to be in line with these aspirations in all cases. Our local authority client budgets have remained challenged due to the conflicting demands of the local public purse. For further discussion on the risks with regard to the UK's relationship with the EU, managing through the pandemic and global economic and political impacts including inflation, materials and labour shortages, see the risk management section of this strategic report.

Summary

In this context, VolkerStevin Limited has continued to deliver projects on site, working for its clients to deliver in challenging circumstances. At the onset of the pandemic, our teams at operational sites were demobilised as necessary due to clients' or local requirements. Elsewhere, work continued under a different health and safety regime, with the immediate adoption of COVID safe working practices, in line with Government and industry guidance, and our own additional measures. Those sites that had been shut were re-opened in the latter part of 2020 and during 2021 all our sites were operational, following Government support for the sector and its emphasis on the importance of construction works and infrastructure build for the future of this country. We would like to commend our teams, whether those who took furlough throughout the closures, those who worked hard on site to keep their operations going under extremely difficult circumstances, or those who moved seamlessly to working from home through successive lockdowns, whilst continuing to support our teams on site. The pandemic has had a significant impact on the business and all our stakeholders this year in more ways than just financially.

A number of issues on key projects have continued to contribute to an overall loss for the year. With a new management team in post and with strong support from the VolkerWessels UK Group, VolkerStevin's core quality engineering focus underpinned by its strong delivery teams is again coming to the fore and there are clear signs of a return to its pre-pandemic position of strength in the future. Known for its strong capability in marine civil engineering, flood defence and other complimentary skills in the water and environment sector, VolkerStevin has a long and positive history of providing innovative solutions and working in partnership with clients.

Revenues for the year were £140.5m, (2020: £142.0m) a decrease of £2.0m (1%). At a gross level there wasa loss of £9.0m, (7.0)% (2020: £10.0m gross loss, (7.0)%).Whilst revenues remained at a similar level to the prior year, the loss for the year was mainly caused by the continuation of COVID-19, and weather-related delays on an isolated onerous marine project and the finalisation of a settlement to close out several historic water framework projects. Despite these challenges most areas of the business have performed well, in particular within the Flood & Costal/Environment sector and the Defence Sector.

Business review (continued)

Our aim is to focus on high quality operational delivery, adding value for clients by delivering with certainty, and to continue to develop relationships with our experienced long-term partners. After overheads, we have reported an operating loss of £11.0m, (8)% (2020: Operating loss of £11.0m, (8)%).

The Directors have made changes to the management and operational structure which will support the business in its recovery after the past two very challenging years, and enable it to continue delivery of its long-term business strategy. This has focussed on ensuring that the risk profile of work taken on is reduced and that the business focusses on delivering work within its core skill set favouring cash backed profit over volumes.

Further, in early 2022 we will be implementing our business improvement programme called "The VolkerStevin Way" where our vision is "to deliver with certainty".

On 29 November 2021 VolkerWessels UK granted a subordinated loan facility to VolkerStevin for an amount of £17m. It is a perpetual loan which does not bear interest. The loan has no specified maturity date but can be redeemed by the Company at any time at its sole discretion. This is classified as "other equity" as set out in the statement of changes in equity as there is no obligation to pay cash or other assets to discharge the liability.

Cash remains strong, despite the impact of the challenges of 2021, with cash and cash equivalents reported at £32.0m (2020: £9.7m). Net Assets have improved to £13.3m (2020: Net Liability: (0.6)m) as a result of the subordinated loan from VolkerWessels UK.

Operational Review

Marine

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

During 2021, we have maintained a strong position in our dealings with port operators through the delivery of several high-profile projects. Our successful appointment to the Crown Commercial Service (CCS) Construction Works and Associated Services Framework (under Lot 8 - Maritime) was an important step for VolkerStevin. This national Capital works framework is available to all public sector bodies in the UK and the Defence Infrastructure Organisation (DIO) is using this framework as one of its preferred routes to market.

Projects undertaken in the year included progressing works on two major contracts constructing new jetties and associated facilities at Plymouth and on the Clyde, and concluding the first tranche of works under our seven year, six phase Southsea Coastal Defence Framework.

The March 2021 Budget announcement of eight Freeports was welcomed by VolkerStevin. We expect to see infrastructure investment at a number of these locations after their outline business cases have been approved. The intention to designate another two Freeports in Scotland is also likely to create opportunities for VolkerStevin in this important market.

We have been appointed to the North East Procurement Organisation's Civil Engineering and Infrastructure framework, through which we have secured a contract to deliver Sunderland's new 'smart bridge' – a £31m pedestrian and cyclist crossing, which will connect both sides of the River Wear close to the Stadium of Light.

Defence

VolkerStevin is a strategic supplier to the Ministry of Defence (MoD) in the provision of specialist support to maintain, enhance and renew the UK's critical defence infrastructure, including maritime assets, both in the UK and overseas. Our relationship with the Defence Infrastructure Organisation (DIO) continues to develop and mature, particularly with the Royal Navy, and our portfolio of work is seeing steady growth.

Projects undertaken in the year involve marine works under the ten year Clyde Commercial Framework for the DIO / Royal Navy and those associated with the redevelopment of HMNB Devonport. We have also been involved in a number of schemes in an Early Contractor Involvement (ECI) capacity that should lead to secured orders for the delivery stage in 2022 and beyond.

We are also looking to broaden our portfolio of work in the defence sector, in our own right, in collaboration with other parts of VolkerWessels UK and with external partners with our focus being on the delivery of capital schemes.

Overall, we expect this market to continue to provide a stable pipeline of opportunities from which we are able to be selective and adopt a targeted approach with the customers and projects we pursue. With our current and identified mix of work well balanced between major projects and long-term frameworks, we are well positioned for sustainable growth in this sector.

Water and Environment

Water

VolkerStevin's prominence and reputation in the water sector has developed significantly over recent years. We provide a full range of civil engineering and mechanical, electrical, instrumentation, control and automation (MEICA) services for water utility companies. These services include new build, refurbishment and extension works to treatment plants, UIDs and outfalls on a civils-only, civils/MEICA and MEICA-only basis.

We are currently involved with AMP7 working with water companies, including United Utilities where we have our largest framework contract in joint venture with Jacobs as sole delivery partner across parts of the north west of England.

As a regulated sector, spending is largely insulated from external market pressures. Current business plans are still based on 25-year strategies against the certainty of EU Directives. Post-Brexit, it is likely that the UK will choose to parallel most of these EU Directives such as the Water Framework Directive (WFD), but may take the opportunity to de-couple from some of the more onerous and inefficient requirements which could drive advances in innovation and technology to meet the expected quality improvements.

Looking ahead and outside of our frameworks throughout AMP7 and beyond, we are taking a selective approach to securing additional revenues in this sector.

Operational Review (Continued)

Environment

VolkerStevin is a market leader in flood and coastal risk management (FCRM), working in partnership with key customers including the Environment Agency and local authorities throughout England, Scotland and Wales.

We provide a full range of engineering solutions from feasibility through to construction and maintenance, covering 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 MEICA works.

Following a partnership spanning almost 20 years with the Environment Agency, we are a sole contractor under its Collaborative Delivery Framework (CDF) in two regions, and alongside established joint venture partners on a national Marine and Coastal Framework (MCF) through our VBA Joint Venture Limited sister company. These frameworks focus on collaborative delivery team working, reducing the risk of river and coastal flooding, as well as delivering social and environmental improvements across England. Both will run through to 2023 with an option for CDF to be extended by a further four years

We also work closely with local authorities around the UK and are delivering numerous flood and coastal protection schemes for them.

Our wide range of engineering skills and business capabilities have been applied to the challenge of the reclamation, remediation and regeneration of derelict and contaminated land to create sustainable communities, waterside renaissance and flagship regeneration projects. Previous customers in this market include regional development corporations, local authorities, private developers and Homes England.

Directional Drilling

VolkerTrenchless Solutions (VTS) is an unincorporated Joint Venture formed between VolkerStevin Limited and our Dutch sister company, Visser & Smit Hanab, to deliver Horizontal Directional Drilling (HDD) projects. VTS has a proven track record in delivering complex HDD projects associated with energy and utilities infrastructure in the UK.

We have been awarded a framework with the Strategic Pipeline Alliance for the delivery of HDD crossings for the new potable water pipeline across East Anglia for Anglian Water. Having commenced ECI works to develop the appropriate solutions, we expect physical works on site to commence later in 2022. VTS has also provided ECI support to highly technical HDD aspects of the marine works contract for the Hinkley Point C new nuclear power station project in Somerset.

Secured order book

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

At 31 December 2021 the company has in place a strong pipeline of quality work with a secured order book of £242.6m (2020: £238.5m). This represents an increase of £4.1m in secured work since last year and is in line with our strategy to focus on delivery of profitable and appropriately risk balanced work, rather than focussing on volumes. We take a cautious approach to our order book recognition by only including signed contracts and, for framework contracts, only including work packages agreed with our clients. We continue to focus on maintaining our unique reputation for quality, sustainability and innovation.

Going Concern

Looking ahead we must recognise that the impacts of global political events, the longer-term impact of the pandemic and ensuing economic uncertainty will continue to provide challenges to our business. We have developed comprehensive and flexible contingency plans and continue to deliver on site, adapting to the requirements of emerging market conditions, changes to government legislation and guidance, always focussing on delivering for our clients with the safety and wellbeing of our partners, teams and supply chain as our unerring priority. For further discussion on the risks with regard to the pandemic see the Risk Management section of this strategic report.

Given the Company's net current assets position and strength of the forward 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).

Risk Management

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

Health, safety and quality

Risk and Impact

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

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

Mitigation

- Culture, policy and strategy established by effective leadership.
- Clearly defined management systems, registered to ISO standards.
- Interfaces and responsibilities that are understood and accepted by all.
- Board level focus on all HSEQ matters.
- Behavioural safety programmes, mental health and well-being programmes.
- Corporate governance, inspection and audit.
- Introduction of "Quality Ripple" in 2021 – a behavioural approach to quality launched to all projects / offices

People, culture and values

Risk and Impact

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

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

Mitigation

- Board level focus on all people matters to ensure a diverse and inclusive culture underpinned by a focussed sub-committee for People and an Equality, Diversity & Inclusion steering group .
- Succession planning to ensure strong talent pipeline.
- Investment in learning and development from early careers through to senior management development.
- Productive working culture, embracing technology and agile working practices, to maintain high levels of employee engagement.
- Robust and effective process management using integrated systems and digital solutions.
- Ensure our core values and culture are reflected in partner and supply chain selection.

Pre-construction

Risk and Impact

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

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

Mitigation

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

Engineering and operational delivery

Risk and Impact

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

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

Mitigation

- Our operations board brings together all of our key operational senior leaders and focuses on sharing best practise across all our engineering and operations teams, driving the implementation of and continuous improvement to, digital site based solutions, quality design, planning, project delivery and programme management.
- Recruitment and retention of capable people and supply chain.
- Procure quality components through sustainable and ethical sourcing.
- Deliver projects that demonstrate excellence in design and construction.
- Ensure high quality standards through audit and application of lessons learnt.

Risk Management (continued)

Environmental

Risk and Impact	*Mitigation*
We are very aware that construction has a significant effect on the environment and the communities in which we work. Adverse impacts on the environment and breaches of legislation can lead to environmental harm, reputational damage and enforcement action. We take our responsibility seriously in respect of limiting the environmental impact of the work we do, and, whilst we consider the impact minimal in the context of our business, this includes any potential impact on climate change. We assess the environmental aspects of our activities, products and services that we can control and those that it can influence, and their associated impacts, considering a life cycle perspective. The Company recognises the importance of mitigating our adverse impacts on the environment. An environmental condition that can affect the organisation's activities, products and services can include, for example, climatic temperature change.	• Culture, policy and strategy established by effective leadership. • Board level focus on all environmental matters including monitoring of environmental KPIs such as carbon footprint, energy consumption and waste. • Our integrated management system encompassing procedures for the protection of the natural environment. • Our sustainability strategy based on the key themes of people - planet - *purpose sets out our approach. This is underpinned by our* corporate responsibility framework and sustainability goals, facilitating our responsible attitude towards playing our part in protecting the ecosystems in which we work and wherever possible enhancing the environment in which we work and live. • Maintenance of an environmental management system which assesses environmental conditions which may affect our activities at both fixed offices and our construction projects. • Interfaces and responsibilities that are understood and accepted by all, supported by behavioural programmes, inspection and audit. • As part of our ongoing carbon reduction strategy we are currently reviewing our carbon reduction targets, including the date for when we intended to be net-zero.

Systems and processes

Risk and Impact	*Mitigation*
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. 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. IT system failure arising from new system integration and/or implementation could result in lack of access to critical data. An attack on our systems and/or networks, to expose, alter, disable, destroy, steal or gain unauthorised access to or make unauthorised use of an asset could result in lack of access to critical data, operational disruption, adverse media coverage and loss of trust, fines/regulatory sanctions and third-party liability/class actions.	• Continue investing in systems and processes that enable efficient and effective operations. • Clearly defined management systems, interfaces and responsibilities that are understood and accepted by all. • Monitor and control all aspects of IT systems access and performance. • Appropriate contingency plans to mitigate risk of systems loss. • New systems are only deployed after full testing. • Regular review and testing of data security controls. • Established cyber programme with robust security arrangements and active monitoring. • Ensure any adopted joint venture partner's systems are fit for purpose and conform with the above.

Adequacy of insurance

Risk and Impact	*Mitigation*
We maintain appropriate insurance programmes to mitigate against significant losses in line with general industry practice. Lack of adequate insurance cover could result in potential financial loss or penalties.	• Suitable arrangements exist to underpin and support the operations and services. • Regular review of our position with our broker and insurers to ensure that the optimum cover is in place.

Financial risk

Risk and Impact	*Mitigation*
It is essential to fully understand the financial position of our partners in all of our contractual relationships. Failure of our partners including financial institutions, customers, joint-venture partners and our supply chain could potentially affect short-term cash flows.	• Due diligence including credit reviews of our clients, partners, supply chain and other stakeholders. • Insure credit where appropriate to do so. • Procedures to monitor and forecast cash flow. • Committed credit facilities to ensure we have adequate cash when required.

Risk Management (continued)

Fraud

Risk and Impact	*Mitigation*
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. 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.	• Compliance Officer reporting directly to the Board. • Specific preventative and review controls, reviewed regularly by the Board. • Zero tolerance attitude towards fraud and unethical behaviour. • Integrity clearly stated as one of our core values. • Compulsory training programmes for different levels of the organisation.

Political, market and economic risk

Risk and Impact	*Mitigation*
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. Failure to recover cost price increase from clients could impact the profitability and cash flow of the business. 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 has contributed to an increase in the cost and scarcity of materials and labour.	• Regular reviews to ensure that we are not overly exposed to any one aspect of market risk and appropriately responding to changes in legislation and policy. • Actively engage with our supply chain and clients to ensure that price increases reflect market movements and form part of ongoing contract negotiations. • 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. • The UK Board is actively monitoring theongoing impact of the UK exiting the EU including any market stimulation by the UK government, freedom of movement of labour, impact on the supply chain and commodity prices and we will adapt our strategy as necessary

Ability to continue to operate during a pandemic

Risk and Impact	*Mitigation*
The global pandemic, and in particular were there to be new and virulent variants could continue to have the potential to disrupt business continuity either as a result of illness of employees or our supply chain, or isolation to avoid illness including forced shut down of work sites for a prolonged period of time. Specific risks include: • The operations of the business may not be able to continue due to inability to travel to normal place of work; • Adequate digital solutions may not be in place; • Loss of income due to reduced economic activity; • Cash flow challenges due to the change in circumstances; • Challenges in putting in place adequate working facilities to respect any social distancing or other new health and safety requirements; and • Impacts on clients and supply chain having a knock on impact on our business, including potential business failures and funding issues within the value chain.	• Business continuity measures in place to react and adjust to any event which may disrupt the ordinary course of business. • Technology enabled people with numerous remote working options to enable core support to continue during any enforced shutdown. • Ensure dialogue with clients to ensure a minimum of disruption and reduction to revenues. • Review options for government support and apply where relevant to enable business continuity and maintaining workforce when activity has reduced or in some cases ceased. • Maintain good cash balances and ensure measures in place to manage short term cash flow challenges through work site closures and corresponding reduction of revenues. • The health of our people is paramount and we have developed procedures in line with government recommendations to limit the spread of infection. Ensure that all appropriate measures are taken to safeguard the workforce whether on site or in offices. • Ensure appropriate contractual mechanisms in place to mitigate and limit the risk of failures and funding issues within the value chain.

Security/terrorist threat

Risk and Impact	*Mitigation*
Protestor action, terrorist attack affecting our sites or break ins could result in significant injury/loss of life, adverse media coverage, operational disruption and significant impact on revenue and costs.	• Business continuity measures in place to react and adjust to any event which may disrupt the ordinary course of business. • Insurance is in place in respect of damage. • Close collaborations with clients (who usually hold protestor risk in construction contracts).

We have reviewed the above risks, considered the potential impacts and on balance, believe that we have sufficient mitigations in place.

Section 172(1) statement

This statement has been prepared solely to provide information to assess how the Directors ("Board") have performed their duty to promote the success of the Company. Any forward-looking statements are made in good faith, based on the information available up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Board continues to take account of the impact of its decisions on all our stakeholders, who include our customers, supply chain, partners, employees, industry bodies, local community, and shareholders. We continue to ensure that the health, safety and wellbeing of our people and stakeholders remains central to everything we do.

The Directors have acted in good faith and in a way that is most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term
(b) the interests of the company's employees
(c) the need to foster the company's business relationships with suppliers, customers, and others
(d) the impact of the company's operations on the community and the environment
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and
(f) the need to act as between members of the company

In the following section, we detail our key stakeholders, how the Directors have engaged with them, and how that engagement has influenced the decision making of the Board:

Clients

Introduction

When it comes to business, we deliver excellence; we take a measured approach; we maintain high standards and we deliver on our promises.

We have a careful and measured approach to taking on new client work, which enables us to bring our best to all our projects providing quality service and creating solutions for long term value. We are collaborative to the core; delivering to high standards is embedded in our way of working, and our goal is to deliver certainty for clients', add value and provide win-win solutions.

How we engaged:

Monthly business review meetings provide a forum for the Board to understand and challenge business leadership on areas such as customer engagement and satisfaction, operational and commercial performance, and customer initiatives.

Market outlook is a standing item on the agenda for each of these meetings and the Board regularly assess the impact of external factors on their long-term business strategy. A Board sub-committee has been established to bring together key members of the VolkerWessels UK Group to focus on our customers and business engagement with our clients.

The Directors regularly meet with key client stakeholders and ensure that teams work with clients in partnership and full collaboration. We also work closely with client teams to support them in their industry-wide collaboration matters such as Health & Safety, Diversity & Inclusion and Sustainability.

Outcomes and actions, we took:

We develop longstanding relationship with our clients and local stakeholders with whom we work in partnership, ensuring that our teams at all levels create professional relationships at every level of the organisation.

We are careful to ensure that our sites are set up with high standards to reflect positively on our clients. We measure this through our Considerate Constructor scores which have been consistently high across the business.

Our behavioural safety programmes, investment in the community, integrity, sustainability and EDI strategies enable us to deliver a wide range of social benefit for and with our clients.

Each business develops a five-year plan setting out its proposed sector focus and customer base. From these plans we identify key customers and establish relationship management plans to coordinate our interactions and monitor customer satisfaction levels. Coordination of customer interactions is especially important where customers are common to more than one of our business lines.

Our clients need their providers of critical infrastructure to have strong economic and financial standing and we take care to ensure that our businesses are appropriately funded.

Key performance indicators & other relevant statistics:

- Considerate Constructors Scheme score of 41 across our registered sites; 3 points above the industry average.

Supply Chain and Joint Venture Partners

Introduction:

Our supply chain and joint venture partners form an integral part of our commitment to offering our clients a quality service. We establish mutually rewarding, ongoing relationships with our suppliers and sub-contractors, and today work with many organisations with which we have a long and successful history of co-operation.

How We Engaged:

We hold Business to Business meetings with our largest suppliers and subcontractors prior to the start of a project and periodically as needed throughout every project.

We seek feedback from our supply chain during these and many other meetings and supplier days underpinned by our annual '360' survey.

In 2021 we re-commenced our one to one supply chain forums again, initially with online versions and then later in the year with face-to-face meetings and events.

We run several supplier forums and specialist workshops with suppliers and staff in attendance promoting specific contracts, innovation, or areas of mutual interest. Many more contract focused meetings and communications have also been held on a one-to-one basis, virtually or in person depending on the relevant circumstances, as part of our strategy to closely engage with and support our supply chain throughout the year.

Outcomes and actions, we took from our engagement:

During 2021 we started the roll out of an improved Enterprise Resource Planning system based on a construction specific version of Microsoft Business Central. We shared our plans with our supply chain in this area during 2021 such that we can work together with them to further improve our ongoing exchanges of information.

We are compliant with the Prompt Payment Code, sponsored by the Department for Business, Energy & Industrial Strategy and have made significant strides towards reducing our payment times for small and micro enterprises. Under the code we undertake to:

- Provide suppliers with clear and easily accessible guidance on payment procedures.
- Pay suppliers on time within the terms agreed at the outset of the contract and without attempting to change payment terms retrospectively on correctly presented invoices.
- Ensure there is a clearly communicated system for dealing with queries, complaints, and disputes.
- Advise promptly if there is a valid reason why an invoice will not be paid to the agreed terms.
- Encourage best practice in everything we do not only in financial and compliance terms but also EDI, sustainability, design management and innovation.
- Request that our suppliers encourage adoption of the code throughout their own supply chains.

Key Performance Indicators and other relevant statistics:

- Supplier payment performance for the year showed that the average time to pay an invoice was 33 days and 76% of invoices were paid within the agreed terms with suppliers.
- 91% of invoices were paid within 60 days
- Accross the VWUK Group, based on the top 80% of our supply chain by value, 96% of suppliers and 93% of contractors scored the Group as average to excellent. The overall VWUK score was 8.0/10 from both suppliers and subcontractors during 2021.

Employees

Introduction:

At VolkerWessels UK, we are proud of our people and their commitment to consistently delivering excellence to our clients. We strive to create a balanced and sustainable business to the benefit of all stakeholders. We have established a people first business, and we promote a 'can-do' culture. We believe our people and our business are collaborative to the core, always authentic, naturally nurturing, distinctly dependable and open for originality.

At the top of the agenda on every meeting is safety as the health, safety and wellbeing of our people is our top priority.

How We Engaged:

We engage through an annual employee engagement survey as well as focus on more targeted employee surveys to assess the wellbeing of our teams.

The challenge of maintaining our operations following the COVID-19 pandemic resulted in a significant shift towards more agile working, and improved use of technology where appropriate. This new way of working required a significant focus on communication, including targeted staff surveys to understand the engagement and wellbeing of our employees, and the benefits have been realised with a high level of productivity maintained and employee levels of engagement remaining at a high level.

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.

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. We have 200 mental health champions providing direction and signposting guidance to anyone working on our behalf.

We recognise that in our industry of engineering, there is a significant improvement that is required to increase the number of senior women across the industry. 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.

Our EDI Steering Group, chaired by a member of the Board and managed by our Head of Sustainability and Inclusion, continues to set the agenda for the business and is supported in delivering real change through a network of 100 strong EDI Champions throughout our business. We also work in partnership with several organisations to support our EDI activities, and this external expertise is enabling us to develop our leading approach to improving diversity and inclusion in the Company.

We continue to review employee performance on a regular basis and agree individual development plans for all staff. Through the VolkerWessels UK academy we provide a range of ILM management training programmes for various levels of the organisation and actively work to support the personal development of our teams at all levels and we obtain feedback from our learners to continue to enhance those programmes.

Outcomes and actions, we took from our engagement:

Whilst in 2020 we had replaced our annual engagement survey with a number of pulse surveys to more regularly measure how our employees were responding to the additional stresses of working through a pandemic, we resumed the formal survey in 2021 and were pleased to see that whilst there had been a decrease since 2019, the team remained very engaged and higher than industry average.

In 2021 we built upon our Employee Value Proposition by adopting the latest resourcing tools, including social media, to broaden the range of candidates we engage with.

We launched our Hybrid working arrangements following lockdown and this is proving to be very positive for a wide range of our office based teams, particularly those with caring responsibilities. We have also developed a range of additional support for both physical and mental wellbeing with regular virtual workshops and coaching and training opportunities on offer to our teams, supported by a network of metal health champions as well as our professional occupational health team.

The Board actively reviews and monitors remuneration to ensure a fair approach is adopted across the Group and are actively exploring ways of creating more agile and flexible working practices as we focus on creating a truly inclusive culture.

A specific sub-committee of the VolkerWessels UK Board has been set up to bring together key members of the Group to focus on our People and ensure that we are able to attract and retain a diverse population where everyone feels included, is able to develop to their full potential and is supported and valued in their role.

Recent investment in our systems is enabling more effective monitoring of diversity data, and this improved analysis will help to inform our decision-making and support the development of our EDI strategy.

In addition to our full suite of management training which takes our employees on a journey from first line managers to the executive leaders of tomorrow we are a member of the 5% club with more than 5% of our workforce undertaking a formal training programme.

We have an established network of Universities with whom we work in partnership and can offer industrial training placements (ITPs) to their students to support them as they work towards their degree as well as apprenticeships at many different levels

In 2021 we continued to build upon prior achievements across the range of safety performance indicators and our accident rate is below the industry average. Our Accident Incidence Rate continues to be amongst the construction industry's best performing contractors.

Key Performance Indicators and other relevant statistics:

Employee engagement, diversity & inclusion

- Our employee engagement score was 85% reflecting an above average level of engagement for our workforce which is pleasing, although we take significant learning from our engagement surveys and will focus on continuing to improve in the areas that are highlighted by our team's responses.
- In the 2021 National centre for diversity awards, VolkerWessels UK was named as Engineering Company of the Year and ranked 8th in the listing of most inclusive companies across all industries.
- We delivered EDI awareness training to over 750 employees during 2021 and Inclusive Leadership training to over 220 leaders in the business.
- We empowered our network of 100+ cross-business EDI champions to support and challenge behaviours and lead, both locally and nationally, on key chosen EDI initiatives and campaigns, such as National Sign Language Week, National Inclusion Week and celebrating diverse faiths. We hosted an EDI Champions conference and introduced of a series of EDI Leadership Roundtable events, open to all, facilitated by our Senior leadership team on a range of EDI subjects

Investment in training and development

- We currently employ 28 graduates and 5 apprentices across the VolkerStevin Group.
- In 2021 employees across the VolkerStevin Group attended 1,702 (2019: 1,198) days of formal training courses

Health and safety

- Accident Incidence Rate (AIR) of 382
- *55% increase in our Minor Injury Frequency Rate (IFR)*
- 80% increase in our All Reported Injury Rate (ARI)
- Service Strike Rate (SSR) of 0.43
- 74% increase in the total number of incidents
- 38% decrease in hazard / near miss / close call frequency rate, over 5,000 reports raised.
- VW UK maintains FORS certification
- One RoSPA Gold Award
- No drop-in-clinics conducted by occupational health

[1] Accident Frequency Rate (AFR) - RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. Accident Frequency Rate (AFR) = (number of RIDDOR reportable injuries ÷ total work hours) x 100,000.
[2] Accident Incidence Rate (AIR) – RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Incidence Rate (AIR) calculation. Accident Incidence Rate (AIR) = (number of RIDDOR reportable injuries ÷ average headcount) x 100,000.

Communities and Industry Bodies

Introduction:

We are committed to making a positive impact in the communities where we work. We strive to leave a legacy, not only through the projects that we deliver but also by supporting local communities, through engagement with schools, through charitable activity and by supporting local organisations.

Our People-Planet-Purpose sustainability framework builds on excellent foundations and unlocks our desire to take bold action to balance the needs of the environment and society alongside our growth as a business. It makes the commitment that 2020-2030 will be our 'Decade of Action' and sets a flexible, agile and empowering structure for our organisation. It also enables us to convey to our stakeholders our collective ambitions and achievements. Each of the People-Planet-Purpose pillars has three 'themes' and a total of 23 high level metrics, which allow us to measure and monitor performance.

We recognise that it is essential that we have strong relationships with the numerous regulatory and professional bodies that we interact with to deliver quality service to our clients and remain a leader in our industry.

How We Engaged:

Our aim is to add value to our society, inspire others and support colleagues, clients, and suppliers in their own efforts to share time, skills, and resources in their chosen way. Our sustainability strategy is based on the key themes of People – Planet – Purpose and the focus is to create an adaptive capacity by making decisions informed by our inherent culture to do business in the right way, as well as recognising that social and environmental risks have interdependencies that touch every part of our business and our value chain.

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 actively participate in opening doors for the next generation as members of several industry bodies and through numerous industry-related forums. These include industry-wide virtual careers fairs and online sessions and webinars with university students and other educational establishments.

Our Board members are on the Boards of a number of industry associations and the Board takes a pro-active approach towards participation in and support of industry initiatives.

We maintain strong relationships with our financial stakeholders with our bankers and our bonders, through regular and structured meetings, transparent reporting, and ongoing informal relationships

We are also committed to working with several charities across the Group, with VolkerWessels UK supporting the work of The Samaritans as our charity of choice during 2021

Outcomes and actions, we took from our engagement:

During 2021 we built upon the key themes of our sustainability strategy and we developed further clarification of our ambitions and set out a clear carbon reduction strategy

In 2021 VolkerWessels UK published its new Carbon Reduction Strategy, along with a Carbon Reduction Plan in accordance with PPN 06/21 for each of its businesses. The strategy sets out VolkerWessels UK's target of being Net Zero by 2035 for all Scope 1 and 2 emissions, and for those Scope 3 emissions which are under its direct control.

To support its strategy, the group is a signatory of the Science Based Targets Initiative 'Business Ambition to 1.5°C', confirming that it has committed to setting a science-based target that is in line with a 1.5°C future.

We continued our work to generate social value in the communities in which we operate and captured this through a new platform called Thrive. Despite the pandemic, 126 of our employees volunteered over 1100 hours of their time to support schools and community events.

Our Directors actively participate on the boards of Build UK, CECA and the Railway Industry Association amongst others, and we actively participate in Open Doors, to encourage young people to consider construction as a career of choice.

We work closely with industry based educational organisations such as the Chartered Institute of Building (CIOB), the Royal Institute of Chartered Surveyors (RICS), the Institute of Civil Engineers (ICE) to help our people achieve professional accreditation in their chosen discipline. In addition, through these relationships we can offer in house support, bespoke seminars, and development opportunities to employees at every stage in their career to enable their continued professional development.

Across our business we continued to engage with a variety of local and national charities, including CRASH in our VolkerFitzpatrick business, Dementia UK in VolkerHighways, St Catherines Hospice in VolkerStevin, Bluebell Wood in VolkerRail and St Richards Hospice in VolkerLaser.

Key Performance Indicators and other relevant statistics:

Relevant statistics - sustainability

- Our 2021 normalised scope 2 carbon emissions decreased by 23% compared to 2020. Non-normalised scope 2 emissions decreased by 21%.

Shareholders

Introduction:

As a member of the privately owned Dutch group, Koninklijke VolkerWessels B.V, VolkerWessels UK Limited and its subsidiaries apply the internal regulations set out by the group to ensure that it acts as between members of that company.

How We Engaged:

We engage with our shareholders and broader group through many informal as well as formal routes with a quarterly business review and reports.

Through knowledge sharing across the group we are able to share innovation in construction methods, sustainability and value engineering between the UK and our international counterparts.

Our Dutch parent business is able to obtain and share onwards relevant news content and information that VolkerWessels UK provides through a variety of channels, including the corporate and business unit websites, social media and traditional media outlets, and the annual review publication.

Outcomes and actions, we took from our engagement:

Our objectives are set and agreed through our five-year rolling business planning process and we review our sustainability and other non-financial targets as well as financial targets with them on a regular basis.

VolkerWessels UK has contributed to the promotion of the group's success by the sharing of UK content for the parent company's annual report, and internal Spotlight newsletter

Approved by the Board of Directors and signed on behalf of the Board:

J Cox
Director

5 September 2022
Company registered number: 00288392

VolkerStevin Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerStevin Limited
Directors' Responsibilities Statement
for the year ended 31 December 2021

The Directors present their annual Directors' Report and audited financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the financial year after taxation was £(6.1)m (2020 : £(9.1)m). The Directors do not recommend the payment of a final dividend (2020: £nil). An interim dividend of £nil was paid during the year (2020: £nil).

Directors

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

J Cox	appointed 19 November 2021
JM Suckling	appointed 1 February 2021
NA Connell	
AR Robertson	
MG Woods	
VolkerWessels UK Limited	
AR Towse	resigned 4 November 2021
RD Coupe	resigned 1 February 2021
L Taylor	resigned 1 February 2021

Directors' indemnities

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

Employees

The Company is an equal opportunities employer.

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

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

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

Employee Engagement

For further detail on this, please refer to the Section 172(1) statement.

Business relationships

For further detail on this, please refer to the Section 172(1) statement.

Political and charitable contributions

The Company made no charitable donations in 2021 (2020 :£1,000). The company made no political donations in 2021 (2020: £nil).

Other disclosures

Disclosures in respect of the future developments of the Company and going concern are given in the Strategic Report. Information on financial instruments, financial risk management and exposure is given in note 21 of these financial statements.

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

Approved by the Board of Directors and signed on behalf of the Board:

J Cox
Director
5 September 2022
VolkerStevin Limited
Company registered number: 00288392

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerStevin Limited
Directors' Responsibilities Statement
for the year ended 31 December 2021

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 are required to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. 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.

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

Independent Auditor's Report to the members of VolkerStevin Limited for the year ended 31 December 2021

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the the UK Bribery Act 2010 and the Company's environmental regulations in the jurisdictions in which it operates.

We discussed among the audit engagement team, including relevant internal specialists such as tax, valuations, pensions, IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

Contract revenue recognition, including recoverability and valuation of contract assets: procedures performed include:

- assessing the relevant controls;
- assessing and challenging a sample of the most significant and more complex contract positions and the accounting thereon under the percentage of completion methodology. The sample selected was based on both quantitative and qualitative factors including low margin or loss-making contracts and contracts with significant balance sheet exposures, as well as significant un-agreed income;
- assessing the recoverability of amounts due from construction contract customers and the related receivables by agreeing to external certifications and cash receipts. This was tested for a sample of contracts;
- assessing the completeness and validity of allowances recorded based upon the liabilities that may arise from disputes with customers or rectification works required. We did this through interviewing and challenging contract managers, commercial directors and a review of correspondence with customers, solicitors and expert advice; and
- assessing the adequacy and completeness of the disclosures in relation to IFRS 15.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

5 September 2022

VolkerStevin Limited
Income Statement
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	4	**140,494**	141,597
Cost of sales		**(149,648)**	(151,185)
Gross loss		**(9,154)**	(9,588)
Administrative expenses		**(1,652)**	(1,568)
Operating loss		**(10,806)**	(11,156)
Financial expense	8	**(300)**	(122)
Loss before tax	5	**(11,106)**	(11,278)
Income tax	9	**5,009**	2,183
Loss for the year		**(6,097)**	(9,095)

All results derive from continuing operations.

The notes on pages 25 to 49 form an integral part of the financial statements.

VolkerStevin Limited
Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Loss for the year		**(6,097)**	(9,095)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension plans	*18*	**3,911**	(4,939)
Tax recognised on actuarial (losses)/gains	*9*	**(978)**	938
Other comprehensive income/(expense) for the year, net of income tax		**2,933**	(4,001)
Total comprehensive expense for the year		**(3,164)**	(13,096)

The notes on pages 25 to 49 form an integral part of the financial statements.

VolkerStevin Limited
Statement of Financial Position
as at 31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	10	76	360
Right-of-use assets	11	5,534	4,932
Trade and other receivables	14	2,772	-
Deferred tax assets	13	2,863	1,198
		11,245	6,490
Current assets			
Trade and other receivables	14	22,893	17,998
Contract assets	4	9,991	31,017
Tax receivables		7,189	4,469
Cash and cash equivalents	15	41,323	20,117
		81,396	73,601
Total assets		92,641	80,091
Equity			
Share capital	19	8,000	8,000
Other equity instruments		17,000	-
Retained earnings		(11,730)	(8,566)
Total equity		13,270	(566)
Non-current liabilities			
Lease liabilities	23	4,367	3,918
Trade and other payables	16	795	-
Employee benefits	18	561	4,936
		5,723	8,854
Current liabilities			
Lease liabilities	23	1,119	930
Bank overdraft	15	9,287	10,460
Trade and other payables	16	43,746	47,194
Contract liabilities	4	15,029	5,270
Provisions	17	4,467	7,949
		73,648	71,803
Total liabilities		79,371	80,657
Total equity and liabilities		92,641	80,091

These financial statements were approved by the Board of Directors on 5 September 2022 and were signed on its behalf by:

J Cox

J Cox
Director
Company registered number: 00288392

The notes on pages 25 to 49 form an integral part of the financial statements.

VolkerStevin Limited
Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital £000	Other Equity Instrument £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	8,000		4,530	12,530
Comprehensive income				
Loss for the year	-	-	(9,095)	(9,095)
Other comprehensive income				
Actuarial loss on defined benefit pension plans, net of tax	-	-	(4,001)	(4,001)
Total comprehensive income	-	-	(13,096)	(13,096)
Balance at 31 December 2020	8,000	-	(8,566)	(566)
Balance at 1 January 2021	8,000	-	(8,566)	(566)
Comprehensive income				
Loss for the year	-	-	(6,097)	(6,097)
Other comprehensive income				
Actuarial gain on defined benefit pension plans, net of tax	-	-	2,933	2,933
Total comprehensive expense	-	-	(3,164)	(3,164)
Issue of other equity instrument	-	17,000	-	17,000
Balance at 31 December 2021	8,000	17,000	(11,730)	13,270

The notes on pages 25 to 49 form an integral part of the financial statements.

VolkerStevin Limited
Cash flow Statement
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows relating to operating activities			
Loss for the year		**(6,097)**	(9,095)
Adjustments for:			
Depreciation of property, plant and equipment	*5*	**88**	128
Depreciation of right-of-use assets	*5*	**1,207**	1,053
Financial income	*8*	**-**	-
Financial expense	*8*	**300**	122
Payments to defined benefit plans	*18*	**(520)**	(506)
Gain/(loss) on sale of property, plant and equipment		**(2,169)**	-
Income tax	*9*	**(5,009)**	(2,183)
R&D expense tax credit		**-**	(725)
Operating cash flows before movements in working capital		**(12,200)**	(11,206)
Increase in trade and other receivables		**(7,667)**	(954)
(Increase) in contract assets		**21,026**	(11,723)
(Decrease)/increase in trade and other payables		**(3,575)**	10,503
Increase in contract liabilities		**9,759**	845
(Decrease)/increase in provisions		**(3,482)**	7,515
Cash from / (used in) operating activities		**3,861**	(5,020)
Interest paid		**-**	(74)
Tax received		**624**	1,288
Net cash from / (used in) operating activities		**4,485**	(3,806)
Cash flows relating to investing activities			
Proceeds from sale of plant, property and equipment		**2,365**	-
Acquisition of plant, property and equipment	*10*	**-**	(182)
Net cash from / (used in) investing activities		**2,365**	(182)
Repayment of lease liabilities (under IFRS 16)		**(1,171)**	(1,109)
Interest paid		**(300)**	(43)
Issue of other equity instrument	*22*	**17,000**	-
Net cash from / (used in) financing activities		**15,529**	(1,152)
Net increase/(decrease) in cash and cash equivalents		**22,379**	(5,140)
Cash and cash equivalents at 1 January		**9,657**	14,797
Cash and cash equivalents at 31 December	*15*	**32,036**	9,657

The notes on pages 25 to 49 form an integral part of the financial statements.

1 General Information

The Company is incorporated under the Companies Act 2006 and domiciled in the UK. The Company is a private company limited by shares and is registered in England and Wales. The principal activities of the Company are included on page 2. 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 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

Changes to significant accounting policies are described in Note 2.22.

2.2 Measurement convention

The financial statements are prepared on the historical cost basis.

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 5. In addition, note 21 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 a centrally maintained group facility with VolkerWessels UK Limited (the "Group") for a minimum of 12 months from the signing of these financial statements. The Company is expected to continue to be in a position to obtain finance from the Group when required to operate for the foreseeable future. In completing this analysis the Directors of the Company have considered the commitment and ability of the Group to continue provide such finance. See note 21 (c).

Management has produced forecasts that have also been sensitised to reflect a plausible downside scenario as a result of the COVID-19 pandemic and its impact on the UK economy, which have been reviewed by the Directors. This was undertaken to identify risks to liquidity and enable management to formulate appropriate and timely mitigation strategies. These demonstrate the Company is forecast to generate profits and cash in the years ending 31 December 2021 and 31 December 2022, and that the Company has sufficient cash reserves and facilities to enable the Company to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

Given the Company's net current assets 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 currencies other than the entity's functional currency (Pound Sterling) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

2 Accounting policies (continued)

2.7 Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

2.8 Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture, photocopiers and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2 Accounting policies (continued)

2.9 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.

The Company's employees are members of a group wide defined benefit pension plan.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer Volker Stevin Limited. The Company then recognises a cost equal to its contribution payable for current service costs for the year based upon an apportionment of contributions made by the sponsoring employer.

2.10 Contract assets and contract liabilities

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

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

2.11 Impairment excluding financial instruments, inventories and deferred tax assets

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

2.12 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 Accounting policies (continued)

2.13 Non-derivative financial instruments

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

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

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

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

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

Cash and cash equivalents comprise cash balances and call deposits.

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

2.14 Impairment of financial instruments

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

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

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

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

2.15 Financing income and expenses

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

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2.16 Taxation

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

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the 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 Accounting policies (continued)

2.17 Revenue

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

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

Performance obligations satisfied over time

The Company's construction and service contracts are satisfied over time where the following criteria are met;

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

The Company's construction contracts are typically satisfied over time as the Company's performance creates or enhances an asset that the customer controls. The Company's service contracts are satisfied over time where the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs it.

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

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

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

Performance obligations satisfied at a point in time

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

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

Further details on revenue recognition are included in note 3 and note 4.

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

Construction contracts

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

Under the terms of these construction contracts, the Company does not create an asset with an alternative use to the entity and has an enforceable right to payment for work done. Revenue is therefore recognised over time using an input method to calculate percentage completion relative to the estimated total contract costs or in the case of some cost-plus contracts revenue is calculated based on cost plus an agreed margin. Costs which do not result in a transfer of value to the customer do not contribute to the percentage completion. The directors consider that this input method is an appropriate measure of progress towards complete satisfaction of the performance obligations under IFRS 15 as it faithfully depicts the transfer of control to the customer.

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

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

2 Accounting policies (continued)

2.17 Revenue (continued)

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

2.18 Inter-group financial instruments

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

2.19 Provisions

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

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

2.20 Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

2.21 Cash and cash equivalents

Cash and cash equivalents comprises cash balances as well as other deposits and other short term highly liquid investments with a maturity of less than three months when deposited.

Other short term highly liquid investments comprise of receivables held in accordance with the cash pooling arrangement with VolkerWessels UK (see critical judgements disclosure in note 3)

2.22 Changes in significant accounting policies

New amendments to Standards and Interpretations that have been adopted in the annual financial statements for the financial year ended 31 December 2021 are listed below:

- Interest Rate Benchmark Reform 'Phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2021)
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) (effective 1 April 2021)

The new amendments had no significant impact on the Company's results.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early as listed below:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (effective 1 January 2022)
- References to Conceptual Framework (Amendments to IFRS 3) (effective 1 January 2022)
- Presentation of financial statements' on classification of liabilities (Amendments to IAS1) (effective 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective 1 January 2023)
- IFRS 17 Insurance contracts (effective 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective 1 January 2023)
- Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (effective date not determined)

The Company does not expect the above standards issued by the IASB, but not yet effective, to have a material impact on the Company's results.

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

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

Intercompany cash pooling receivables classified as cash equivalents

The VolkerWessels UK Group has a cash pooling arrangement with BNP Paribas. As part of this, VolkerWessels UK (VWUK) holds the master account while VolkerStevin Limited holds a separate secondary account that is balanced off to zero against the master account daily. This secondary account is used to make payments by the entity as part of its working capital requirements and is managed by the central treasury function for VWUK. All payments are approved by the entity alone. The individual secondary account is subject to overdraft limits, as is the overall pool.

In line with the daily operation of the cash pool, at the balance sheet date, a total of £2m, (2019 £9m) has been swept out of the secondary account to bring the balance to £0. Therefore, there is an equal amount receivable to the entity from VWUK.

In considering the definition of cash equivalents per IAS 7, VolkerStevin considers it appropriate to classify these balances as a cash equivalent as:

- The receivables are held for the purpose of meeting short term cash commitments,
- There is an enforceable contract, that gives the secondary account holder the right to demand a known amount of cash in a suitably short time frame; and
- The resources of the master account holder combined with their policies and procedures for monitoring and maintaining liquidity are such that the deposit is subject to an insignificant risk of change in value.

Therefore, these amounts are included within cash equivalents in the statement of financial position, rather than intercompany receivables. Although these amounts are also included for the purposes of the related party disclosures. As they are cash equivalents, they are included in cash and cash equivalents for the purpose of the cash flow statement rather than movements in intercompany receivables.

Key Sources of Estimation Uncertainty

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

(a) Revenue recognition

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

This requires forecasts to be made of the outcomes of long-term construction, which require assessments and judgements to be made on changes in the scope of work, changes in costs, maintenance and defects liabilities (see note 4). 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 Company's revenue, profits and cash flows.

(b) Onerous contract provision

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

In estimating the provision, the directors have made assumptions regarding the volumes of work that would be awarded by the client, the level of staff required to complete this work and the Group's ability to redeploy resources.

4 Revenue

a) Disaggregation of revenue from contracts with customers:

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

	2021 £000	2020 £000
Construction contract revenues	**140,494**	141,597
Total revenues	**140,494**	141,597

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

	2021 £000	2020 £000
Construction contract revenues	**140,494**	141,597
	140,494	141,597

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

b) Nature, timing of satisfaction of performance obligations and significant payment terms:

Construction contract revenues

The Company's construction contract segment includes activities in relation to the physical construction of assets provided to public and private customers. Revenue is recognised over time using an input method to calculate percentage completion relative to the estimated total contract costs or in the case of some cost-plus contracts revenue is calculated based on cost plus an agreed margin.

Construction contract revenues include Major projects i.e. specialist capabilities across the built environment: bridges, highways, marine, car parks, railways and tunnels and Special Projects i.e. waterproofing, strengthening, civils, concrete repair, expansion joint and bridge bearing replacements. Contract lengths vary according to the size and complexity of the contract and can range from a few months for small scale construction works to two to three years for large scale complex construction works.

Invoices are typically raised monthly, based on valuations of the work completed and have normal commercial payments.

Please refer to Note 2.17 Revenue (accounting policies) for further details.

c) Contract balances

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

	2021 £000	2020 £000
Contract assets	**9,991**	31,017
Contract liabilities	**15,029**	5,270

The contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. All contract assets held at 31 December 2021 are expected to be invoiced and transferred to trade receivables within the next 12 months.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2021 are expected to satisfy performance obligations in the next 12 months.

4 Revenue (continued)

Significant changes in the contract assets and contract liabilities during the year are as follows:

Contract assets:	**2021 £000**	2020 £000
As at 1 January	**31,017**	19,294
Transfers from contract assets recognised at the beginning of the year to receivables	**(31,017)**	(19,294)
Increase related to services provided in the year	**9,991**	31,047
As at 31 December	**9,991**	31,017

Contract liabilities:	**2021 £000**	2020 £000
As at 1 January	**5,270**	4,425
Revenue recognised against contract liabilities at the beginning of the year	**(5,270)**	(4,425)
Increase due to cash received, excluding amounts recognised as revenue during the year	**15,029**	5,270
As at 31 December	**15,029**	5,270

The amount of revenue recognised in 2021 from performance obligations satisfied in previous periods is £(81)k (2020: £10,739k).

Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to performance obligations within contracts with customers that are partially or fully unsatisfied as at 31 December 2021 is £242,638k (2020: £238,467k).

Management expects that 56% of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during the 2022 financial year (£137,031k), 26% during the 2023 financial year (£63,443k) and 17% thereafter (£42,164k).

5 Loss before tax

Loss before tax is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of property, plant and equipment		
- owned assets	**88**	128
- right-of-use assets under IFRS 16	**1,207**	1,053
Lease charges on short-term leases arising under IFRS 16	**69**	56
Auditor's remuneration		
- audit of these financial statements	**260**	200
Amounts received in relation to furlough scheme (Coronavirus Job Retention Scheme)	**-**	(490)

The cost of auditing the financial statements of the Company amounting to £260k (2020: £200k) are borne by fellow group undertakings.

6 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:

	2021 No	2020 No
Management & administrative	77	116
Operational	407	403
	484	519

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	28,290	28,856
Social security costs	2,729	2,937
Contributions to defined contribution plans	2,452	2,230
Contributions in respect of defined benefit plans	520	506
	33,991	34,529

7 Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	431	338
Company contributions to money purchase pension plans	8	9
	439	347

The emoluments of the highest paid Director were £228k (2020: £106k) and company pension contributions of £1k (2020: £nil) were made to a money purchase scheme on his behalf. 5 Directors are remunerated through the Company (2020: 6). The other Directors are remunerated through other Group companies.

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

	2021 No	2020 No
Money purchase schemes	4	4

8 Financial expense

	2021 £000	2020 £000
Net interest on the net defined benefit liability	**56**	5
Interest on lease liabilities under IFRS 16	**85**	43
Net foreign exchange losses	**58**	16
Other interest	**101**	58
Total financial expense	**300**	122

9 Income tax

a) Analysis of the tax recognised in the income statement

	2021 £000	2020 £000
Current tax credit		
UK corporation tax:		
Current year	**(2,654)**	(2,374)
Adjustments for prior periods	**288**	94
Current tax credit	**(2,366)**	(2,280)
Deferred tax (credit)/expense (see note 13)		
Origination and reversal of temporary differences	**(785)**	145
Change in tax rate	**-**	(43)
Adjustments for prior periods	**(1,858)**	(5)
Deferred tax (credit)/charge	**(2,643)**	97
Total tax credit	**(5,009)**	(2,183)

b) Reconciliation of effective tax rate

The total tax credit for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Loss for the year	**(6,097)**	(9,095)
Total tax (credit)	**(5,009)**	(2,183)
Loss excluding taxation	**(11,106)**	(11,278)
Tax using the UK corporation tax rate of 19% (2020: 19%)	**(2,110)**	(2,183)
Effects of:		
Non-deductible expenses	**5**	-
Changes in tax rates	**(922)**	(43)
R&D expenditure credit	**-**	(91)
Other	**(412)**	4
Adjustments for prior periods	**(1,570)**	89
Total tax credit	**(5,009)**	(2,183)

9 Income tax (continued)

c) Tax recognised directly in other comprehensive income

	2021 £000	2020 £000
Deferred tax (charge)/credit recognised directly in other comprehensive income	**(978)**	938

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

Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The prevailing rate of UK corporation tax for the year therefore remained at 19%. The future enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities, as the rate of corporation tax that is expected to apply when those deferred tax balances reverse.

To calculate the current tax on profits, the rate of tax used is 19.0% (2020: 19.0%), which is the average rate of Corporation Tax applicable for the year.

10 Property, plant and equipment

	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1 January 2020	771	935	1,706
Additions	-	182	182
At 31 December 2020	**771**	**1,117**	**1,888**
At 1 January 2021	771	1,117	1,888
Disposals	(771)	(869)	(1,640)
At 31 December 2021	**-**	**248**	**248**
Depreciation and impairment			
At 1 January 2020	546	854	1,400
Charge for the year	19	109	128
At 31 December 2020	**565**	**963**	**1,528**
At 1 January 2021	565	963	1,528
Charge for the year	14	74	88
Disposals	(579)	(865)	(1,444)
At 31 December 2021	**-**	**172**	**172**
Net book value			
At 31 December 2021	**-**	**76**	**76**
At 31 December 2020	206	154	360

Plant and machinery includes a share of joint operations assets at a cost of £nil (2020: £48k) and depreciation of £nil (2020: £48k).

11 Right-of-use assets

	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1 January 2020	754	1,545	2,299
Additions	4,110	582	4,692
Disposals	(686)	(231)	(917)
At 31 December 2020	**4,178**	**1,896**	**6,074**
At 1 January 2021	4,178	1,896	6,074
Additions	-	1,809	1,809
Disposals	(125)	(435)	(560)
At 31 December 2021	**4,053**	**3,270**	**7,323**
Depreciation and impairment			
At 1 January 2020	450	371	821
Charge for the year	464	589	1,053
Disposals	(686)	(46)	(732)
At 31 December 2020	**228**	**914**	**1,142**
At 1 January 2021	228	914	1,142
Charge for the year	437	770	1,207
Disposals	(125)	(435)	(560)
At 31 December 2021	**540**	**1,249**	**1,789**
Net book value			
At 31 December 2021	**3,513**	**2,021**	**5,534**
At 31 December 2020	3,950	982	4,932

12 Investments

The Company has the following investments in jointly controlled operations:

Jointly controlled operations	Principal activities	JCO partner	Address*	Company Share % 2021	2020
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%

**principal place of business*

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

13 Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	Assets 2021 £000	2020 £000
Property, plant and equipment	**373**	260
R & D	**2,350**	-
Employee benefits	**140**	938
Tax assets	**2,863**	1,198

b) Movement in deferred tax in the year

	1 January 2021 £000	Charge in profit *or loss* £000	Charge in other comprehensive *income* £000	31 December 2021 £000
Property, plant and equipment	260	113	-	**373**
R & D	-	2,350	-	**2,350**
Employee benefits	938	180	(978)	**140**
	1,198	2,643	(978)	**2,863**

R&D tax credit included in the deferred tax asset is not disclosed as recognised in income here as it is included in gross profit in accordance with tax legislation.

13 Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior year

	1 January 2020 £000	Charge in profit or loss £000	Charge in other comprehensive income £000	31 December 2020 £000
Property, plant and equipment	271	(11)	-	260
Right-of-use assets	2	(2)	-	-
Employee benefits	85	(85)	938	938
	358	(98)	938	1,198

14 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	17,143	9,617
Amounts owed by group undertakings (note 25)	5,842	6,462
Other receivables	26	763
Prepayments	2,654	226
Other receivables	-	930
	25,665	17,998
Current	22,893	17,998
Non current	2,772	-
	25,665	17,998

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

Trade receivables include £3,693k (2020: £3,689k) of retentions relating to construction contracts in progress.

15 Cash and cash equivalents

	2021 £000	2020 £000
Cash	20,450	18,338
Cash Equivalents	20,873	1,779
Bank overdraft	(9,287)	(10,460)
	32,036	9,657

Cash equivalents comprises amounts relating to the intercompany cash pooling receivables. See critical judgement disclosure in note 3 and accounting policy for further detail

16 Trade and other payables

	2021 £000	2020 £000
Trade payables	**35,471**	28,540
Accruals and other payables	**562**	10,203
Tax and social security costs	**6,641**	5,984
Amounts due to group undertakings (note 25)	**1,867**	2,467
	44,541	47,194
Current	**43,746**	47,194
Non-current	**795**	-
	44,541	47,194

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

Included within Trade payables are contract accruals of £25,206k (2020: £13,530k), which comprises amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

17 Provisions

	Contract provisions £000
Balance at 1 January 2021	7,949
Charge to the income statement	393
Utilised in the year	(3,875)
Balance at 31 December 2021	4,467

	2021 £000	2020 £000
Analysis of total provisions		
Current	**4,467**	7,949
	4,467	7,949

Provisions charged to the income statement in 2021 totalled £393k.

Contracts provision

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

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

18 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 £2,995k (2020: £2,732k) and the creditor outstanding relating to the plan at 31 December 2021 was £nil (2020: £nil).

b) Defined benefit plans

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

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

Risks

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

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

Summary

A summary of the plan is as follows:

	2021 £000	2020 £000
Defined benefit assets	**37,212**	36,088
Defined benefit liability	**(37,773)**	(41,024)
Net liability for defined benefit obligations	**(561)**	(4,936)
Total employee benefits	**(561)**	(4,936)

Movement in net defined benefit liability

	Defined benefit obligation 2021 £000	Defined benefit obligation 2020 £000	Fair value of plan assets 2021 £000	Fair value of plan assets 2020 £000	Net defined benefit asset / (liability) 2021 £000	Net defined benefit asset / (liability) 2020 £000
Balance at 1 January	**(41,024)**	(34,112)	**36,088**	33,614	**(4,936)**	(498)
Included in profit or loss						
Interest (cost)/income	**(478)**	(669)	**422**	664	**(56)**	(5)
	(41,502)	(34,781)	**36,510**	34,278	**(4,992)**	(503)
Included in OCI						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
• Changes in demographic assumptions	**(535)**	(2,234)	**-**	-	**(535)**	(2,234)
• Changes in financial assumptions	**1,704**	(4,905)	**-**	-	**1,704**	(4,905)
• Experience adjustment	**175**	(401)	**-**	-	**175**	(401)
Return on plan assets excluding interest income	**-**	-	**2,567**	2,601	**2,567**	2,601
	1,344	(7,540)	**2,567**	2,601	**3,911**	(4,939)
Other						
Contributions paid by the employer	**-**	-	**520**	506	**520**	506
Benefits paid	**2,385**	1,297	**(2,385)**	(1,297)	**-**	-
Balance at 31 December	**(37,773)**	(41,024)	**37,212**	36,088	**(561)**	(4,936)

18 Employee Benefits (Continued)

Plan assets

	2021 £000	2020 £000
Cash and cash equivalents	118	151
Equities and other growth assets	11,586	6,055
Bonds and liability driven investments	20,107	9,024
Property	4,737	3,936
Diversified Growth Assets	664	5,980
Liquidity Driven Investments	-	10,160
Annuities	-	782
Total	**37,212**	36,088

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

Actuarial assumptions

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

	2021 %	2020 %
Discount rate	1.8	1.2
RPI Inflation	3.3	2.9
CPI Inflation	2.5	2.1
CPI inflation linked increases in deferment	2.5	2.1
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.3	-
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	2.5	2.9
RPI inflation linked increases in deferment	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	21.4	23.7
Future retiree upon reaching 65 in 20 years	22.3	24.9

Sensitivity analysis

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

	Change in assumption	2020 +0.5% £000	2020 -0.5% £000	2020 +0.5% £000	2020 -0.5% £000
Discount Rate	+/- 0.5%	(2,644)	3,022	(3,282)	3,692
Inflation (RPI)	+/- 0.5%	(2,266)	2,644	(2,872)	2,872

In valuing the liabilities of the pension fund at £37,773k, 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 2021 would have increased by £1,889k (2020:£2,461k) 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 2020. This valuation revealed a funding shortfall of £2,500k. To pay off the deficit, the Company has agreed to pay deficit reduction contributions from 1 January 2021 to 31 January 2025, starting at £520k pa in the year beginning 1 January 2021 and increasing by 2.7% pa in each subsequent 1 January. The Company expects to pay £520k to the Scheme during the accounting year beginning 1 January 2021. The Company will also meet all expenses directly.

19 Share capital

	Number of shares '000	Ordinary shares £000
Authorised, allotted, called up and fully paid ordinary shares of £1		
At 1 January and 31 December 2020	8,000	8,000
At 1 January and 31 December 2021	**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.

20 Dividends

The Directors do not recommend the payment of a final dividend (2020: £nil). No interim dividend (2020: 6.25p per share) was paid (2020: £nil) during the year.

21 Financial instruments

a) Fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the year-end.

Interest-bearing loans and borrowings

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

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

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

	Note	2021 £000	2020 £000
Financial assets at amortised cost			
Trade and other receivables	14	**23,011**	19,701
Contract assets	4	**9,991**	31,017
Cash	15	**41,323**	20,117
Total financial assets at amortised cost		**74,325**	70,835
Total financial assets		**74,325**	70,835
Financial liabilities at amortised cost			
Bank overdraft	15	**9,287**	10,460
Trade and other payables	16	**37,335**	35,703
Contract liabilities	4	**15,029**	5,270
Lease liabilities (under IFRS 16)		**5,486**	4,848
Total financial liabilities at amortised cost		**67,137**	56,281
Total financial liabilities		**67,137**	56,281
Total financial instruments		**7,188**	14,554

Trade and other receivables above exclude prepayments.

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

21 Financial instruments (continued)

b) Credit risk

Financial risk management

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

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

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

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

The Company's financial assets are subject to the Expected Credit Loss (ECL) model of IFRS 9. The Company has calculated the ECLs for financial assets at amortised cost and cash and cash equivalents as immaterial. In order to assess the ECLs instruments were grouped by counterparty type, age and instrument type. For further information on the Company's assessment of ECLs see the accounting policy for the impairment of financial instruments (note 2.11).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure which was £74,325k at 31 December 2021 (2020: £70,835k).

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

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

	2021	2020
	£000	£000
Civil Engineering	**17,143**	13,709
Public sector customers	**-**	293
Private sector customers	**17,143**	13,416
	17,143	13,709

Credit quality of financial assets and impairment losses

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

	2021		2020	
	Gross	***Impairment***	Gross	*Impairment*
	£000	**£000**	£000	£000
Not past due	**3,913**	**-**	10,301	-
Past due (0-30 days)	**1,664**	**-**	820	-
Past due (31-60 days)	**1,390**	**-**	508	-
Past due (61 - 90 days)	**10,176**	**-**	2,080	-
	17,143	**-**	13,709	-

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

At 31 December 2021 the Company had no impairment provision (2020: £nil) and did not provide against any debt during the year. For amounts which are past due at the reporting date, the Company has not provided for as there has not been a significant change in credit quality and the Company considers the amounts are recoverable.

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

21 Financial Instruments (continued)

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	Between 2 and 5 years £000	Greater than 5 years £000
2021						
Bank overdraft	9,287	9,287	9,287	-	-	-
Trade and other payables	37,335	37,335	36,540	795	-	-
Contract liabilities	15,029	15,029	15,029	-	-	-
Lease liabilities	5,486	5,779	1,193	1,053	1,993	1,540
	67,137	67,430	62,049	1,848	1,993	1,540
2020						
Trade and other payables	35,703	31,007	31,007	-	-	-
Contract liabilities	5,270	5,270	5,270	-	-	-
Finance lease liabilities	4,848	5,197	1,008	794	1,609	1,786
	56,281	51,934	47,745	794	1,609	-

d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as interest rates will affect the Company's income or the values of its holdings of financial instruments. Exposure to interest rate risk in the Company is principally on bank and cash deposits, and interest-bearing borrowings from its UK parent company. The Company does not participate in any interest rate hedge or swap arrangements.

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

31 December 2021	**Euro £000**
Cash and cash equivalents	444
Statement of financial position exposure	444

31 December 2020	Euro £000
Cash and cash equivalents	1,194
Trade and other payables	(418)
Statement of financial position exposure	776

Company (primarily the Euro). The Company's exposure to foreign currency risk is as follows:

Sensitivity analysis

A 10 percent movement of the euro against the pound sterling at 31 December 2021 would have changed equity and profit by £nil (2020: £78,000). This calculation assumes that the change occurred at the year-end and had been applied to risk exposures existing at that date. This analysis also assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The sensitivity rate of 10 percent represents the Directors' assessment of a reasonably possible change, based on historic volatility.

21 Financial instruments (continued)

d) Market risk (continued)

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:

	2021 £000	2020 £000
Variable rate instruments		
Financial assets	**41,322**	20,117

A change of 100 basis points in interest would either increase or decrease equity by £413 (2020: £201k). The sensitivity of 100 basis points represents the Directors' assessment of a reasonably possible change, based on historic volatility.

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 2021 and 2020.

22 Other equity instruments

On 29 November 2021, VolkerStevin entered into a loan agreement with VolkerWessels UK Ltd for the value of £17 million. The loan has been fully subordinated in favour of any other amounts due to the company's creditors. The loan is interest free has no specified maturity date but can be repaid by VolkerStevin, at their sole discretion, at any time.

As there is no specified maturity date and it is at the discretion of VolkerStevin as to when the loan will be repaid. The loan has accordingly been classified as an equity instrument and is recognised as other equity instruments.

23 Lease liabilities

The Company has leases for land and buildings and vehicles. The majority of vehicle leases are sublet from a fellow group undertaking (see Note 25 for details of these related party transactions). With the exception of short term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 10). Leases of vehicles generally have a lease term of 1 to 4 years and leases of property generally have a lease term ranging from 2 to 10 years. Lease payments are all fixed amounts.

During the year the following amounts were recognised in relation to leases:

Amounts recognised in the Income Statement	2021 £000	2020 £000
Interest on lease liabilities	**85**	43
Expenses relating to short-term leases	**69**	56
Depreciation on right-of-use assets	**1,207**	1,053

23 Lease liabilities (continued)

Lease liabilities in the Balance Sheet

Maturity analysis - contractual undiscounted cash flows	2021 £000	2020 £000
Less than one year	1,193	1,008
One to five years	3,046	2,403
More than five years	1,540	1,786
Lease liabilities - undiscounted cash flows	5,779	5,197
Discount	(293)	(349)
	5,486	4,848

Amounts recognised in the Statement of Cash Flows	2021 £000	2020 £000
Payments for short-term or low value leases	(69)	(56)
Repayment of capital element of leases	(1,171)	(1,109)
Interest payments on lease liabilities	(300)	(43)
Total cash outflow for leases	(1,540)	(1,208)

24 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 or disclosure has been made within the financial statements in respect of these matters.

The Company, as a result of a VolkerWessels UK Limited Company registration for VAT, is jointly and severally liable for the VAT liabilities of other group companies under the group VAT registration. At the accounting date, the Group's liability was £22,036k (2020: £17,477k), which included an amount of £770k (2020: £8,468k) relating to the government's VAT Payment Deferral Scheme.

Provision is made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Company takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Company cannot make a sufficiently reliable estimate of the potential obligation.

The Company is jointly and severally liable for the debts of jointly controlled operations. At the year-end no liability existed (2020: £nil).

25 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:

	2021 £000	2020 £000
Short-term employee benefits	431	338
Post-employment benefits (defined contribution plan)	8	9
	439	347

Lease liabilities owed to fellow subsidiary undertaking	2021 £000	2020 £000
At start of year	1,147	1,373
New leases	1,632	582
Repayments	(794)	(808)
At end of year	1,985	1,147

25 Related parties (continued)

Related party transactions with fellow group undertakings

Related party transactions (excluding cash pooling arrangements) with fellow group undertakings are summarised below:

Amounts owed by undertakings	Parent undertaking	Fellow subsidiary undertakings	Total
2021	**£000**	**£000**	**£000**
At start of year	-	5,992	5,992
Sales/Income	-	21,385	21,385
Receipts	-	(21,535)	(21,535)
At end of year	-	5,842	5,842

Amounts owed by undertakings	Parent undertaking	Fellow subsidiary undertakings	Total
2020	£000	£000	£000
At start of year	-	5,609	5,609
Sales/Income	-	55,930	55,930
Receipts	-	(55,547)	(55,547)
At end of year	-	5,992	5,992

Amounts owed to undertakings	Parent undertaking	Fellow subsidiary undertakings	Total
2021	**£000**	**£000**	**£000**
At start of year	12	2,455	2,467
Expenses	10	59,942	59,952
Payment	-	(60,553)	(60,553)
At end of year	22	1,844	1,866

Amounts owed to undertakings	Parent undertaking	Fellow subsidiary undertakings	Total
2020	£000	£000	£000
At start of year	-	2,475	2,475
Expenses	12	18,187	18,199
Payment	-	(18,207)	(18,207)
At end of year	12	2,455	2,467

Terms and conditions of transactions with related parties

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

25 Related parties (continued)

Related party transactions from the cash pooling arrangements with fellow group undertakings are summarised below:

Cash Pooling Balances with Group undertakings	**2021**	**2020**
	£000	**£000**
At start of year	**1,779**	**9,491**
Movements in cash pool balance	**19,094**	**(7,712)**
At end of year	**20,873**	**1,779**

The movement presented is the net movement of the daily sweeps into the cash pooling arrangement.

26 Parent and ultimate controlling party

The Company is a subsidiary undertaking of VolkerStevin Infrastructure Limited(previously 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 Infrastructure Limited, the largest UK group in which the results of the Company are consolidated is that headed by VolkerWessels UK Limited. Both VolkerStevin Infrastructure 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 ultimate parent and largest group in which the results of the Company for this period are included is Koninklijke VolkerWessels B.V., a company incorporated in the Netherlands. Copies of the published consolidated financial statements may be obtained from its Rijssen office: Reggesingel 10, 7461 BA Rijssen, Postbus 206, 7460 AE, Rijssen, The Netherlands.