
VolkerStevin Limited
Annual Report and Financial Statements
Registered number: 00288392
For the year ended 31 December 2020



VolkerStevin Limited

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VolkerStevin Limited Company Information

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AR Robertson
JM Suckling
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VolkerWessels UK Limited

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VolkerStevin Limited

Strategic Report

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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

	2020 £000	2019 £000 (As restated)
Revenue	141,597	137,271
Gross (loss)/profit	(9,588)	1,136
Gross profit margin	(6.8)%	0.8%
Operating result	(11,156)	(1,794)
Operating result margin	(7.9)%	(1.3)%
Loss before tax	(11,278)	(2,292)
Loss before tax margin	(8.0)%	(1.7)%
Cash and cash equivalents	9,657	14,797
Net (liabilities)/assets	(566)	12,530
Forward Secured order book ¹	238,467	185,370

Non-financial key performance indicators

	2020	2019
Health and wellbeing		
Safety	Accident frequency rate (AFR) ²	
	0.16	0.03
Natural environment		
Raw material	Waste diverted from landfill (percentage)	93.0
CO ₂ emissions (scope 1 & 2)	Carbon dioxide footprint in kilotons (tonnes/million revenue) ³	34.6
	94.0	
	43.3	
People and culture		
Employee engagement	Employee survey score across 4 key engagement metrics (percentage) ⁴	86
	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 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.

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 2019 and 2020. On a normalised basis our carbon dioxide footprint for 2020 was 43.3 (2019: 26.0). The CO₂ emissions figure for 2019 has been restated to incorporate the most recent set of fully audited data.

⁴ We have not undertaken a new full employee engagement survey during 2020, therefore no score is available this year. We have however undertaken a number of pulse surveys focussed on the specific challenges being met by our employees during these unprecedented times of COVID-19, which are detailed further below in the Business Review section.

Context

This report was prepared following a time of unprecedented uncertainty due to the global COVID-19 pandemic. This has had an impact, on the financial performance for the year ended 31 December 2020, it is clearly important to explain this impact and how we have responded as a business.

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

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Business Review (continued)

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

Trading conditions in the UK remained difficult throughout 2020 due to the COVID-19 pandemic and a continued lack of clarity to business around the UK's future relationship with the EU. In the absence of any certainty of direction for the UK for most of 2020, and with an increasingly complex political environment, investor confidence remained low and economic growth remained subdued. In response to this economic headwind the Government has remained bullish in its forecasts for investment in infrastructure over the next few years. This provides some comfort to the construction industry, however the speed of key decision making and funding 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 see the Risk management section of this Strategic report.

Summary

In this context, VolkerStevin Limited has experienced an extremely challenging year. It has also seen a number of key project losses culminating in an overall loss for the year. In the intervening time post-year end, with strong support from the VolkerWessels UK including a new management team who bring a broad spread of skills from the wider group, with a renewed focus on risk management and having benefited from refinancing in 2021, its core quality engineering focus underpinned by its strong delivery teams, is again coming to the fore and there are positive signs of a return to its pre-pandemic position of strength. Known for its strong capability in marine engineering, flood defence and other complimentary skills in the water and environmental sector, VolkerStevin has a long and positive history of providing innovative solutions and working in partnership with clients.

In particular, VolkerStevin has seen the ongoing development of key client relationships and its strong reputation within key markets as evidenced through its appointment to the Crown Commercial Service Construction Works and Associated Services framework (under Lot 8-Maritime) and further projects for DIO. Our AMP7 frameworks with Water Utilities alongside various frameworks with the Environment Agency, secured in 2019 and mobilised during 2020 are all gaining traction.

As part of an in-depth review into the accounting adopted for contracts, it was established that costs and revenues had been inaccurately and inappropriately netted off and a restatement would be required to the 2019 comparative figures. This restatement led to a decrease in revenues of £4m, an increase in cost of sales of £7m and a decrease in administration expenses of £4m in 2019. Net assets also decreased by £4m in 2019.

Revenues for the year were £141.6m, (2019 restated: £137.3m) an increase of £4.3m (3.13%). This was partly due to the mobilisation of the AMP7 and Environment Agency frameworks referred to above and a number of major projects, where VolkerStevin has moved from Early Contractor Involvement (ECI) phases into delivery.

All our contracts have incurred additional costs associated with COVID-19 during the year and these have been recoverable to varying degrees across our different clients, but despite this it has impacted the results both in terms of margin and volume as works were either progressing at a slower rate or were delayed into 2021. We estimate that whether through delays to the commencement of contracts, the additional costs of maintaining operations on site throughout the pandemic, closure costs or delay costs, that the impact of the pandemic on our business has been approximately a £10.5m reduction in turnover and £1.6m reduction in gross margin. In addition, we made reductions in overheads of £0.5m having received £0.6m from the furlough scheme, meaning a net impact on profit before tax of £1.2m in measurable terms. There was however a more far-reaching impact on the business than this cost implies, due to the challenges arising and the impact of the pandemic on our teams on site and working from home.

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 over the following months, and all our sites are now 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.

Overall VolkerStevin delivered an operating loss of £11m (2019 restated: £2m loss) which reflects good performance across much of the business which has been disproportionately and negatively impacted by a number of challenging contracts where significant losses arose during the year. These specific contract challenges arising from the combination of adverse weather, design changes and technical challenges were compounded by the complexities of delivering under Covid 19 restrictions which led to delay and disruption on those projects throughout 2020. Within the Water Sector, a number of projects have been completed under the previous AMP6 framework although we have seen deterioration in these margins due to a number of factors leading to increases in the cost of delivery. A settlement of a claim from a client in respect of a project that had been terminated in 2019 was agreed after the year end and this has been reflected fully into the 2020 results and accounts for a significant proportion of the current year's loss. One major marine project also saw significant losses being incurred as the impacts of several bouts of severe weather, complex delivery challenges on site and emerging design requirements led to significant additional costs being incurred and forecast in the end of life cost of that contract and for which provision has been made during 2020. This contract continues to deliver throughout 2021 and will complete in 2022. A provision of c.£8 m has been included in the financial statements in respect of contract provisions to complete these contracts.

Despite these challenges the remaining areas of the business have performed well, in particular within the Environment sector where we have seen successful mobilisation of the CDF Framework for the Environment Agency awarded in 2019.

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Business Review (continued)

Summary (continued)

The Directors have made changes to the leadership, management and operational structure which will support the business in its recovery after this very challenging year and will enable it to continue delivery of our long-term business strategy. In particular, our appetite to accept risks being pushed down to us as contractor, has significantly reduced. Our future objectives are to continue to focus on high quality operational delivery, adding value for clients, and to continue to develop relationships with our experienced long-term partners.

Following the year end the VolkerWessels UK group 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 proforma 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 2020, with cash and cash equivalents reported at £9.7m (2019: £14.8m). Net assets of -£1m (2019 restated: £13m) have been increased to £16m of pro-forma net assets after adjusting for post balance sheet other equity. The below table shows the illustrative impact of the subordinated loan on the 31 December 2020 result:

	2020 £000	Proforma 2020 £000
	As Reported	Including Issue of Loan
Total Assets	80,091	80,091
Total Liabilities	80,657	63,657
Net Asset Value	(566)	16,434
Total Equity	(566)	16,434

Across the business, our Accident Frequency Rate (AFR) continues to demonstrate the over excellent health and safety performance across the business. However, whilst still low, after a number of years of downward trend, there was an increase in the AFR from 0.03 to 0.16.

The Considerate Constructors Scheme (CCS) scores across our Group were excellent, with an average score of 40.68 over 53 Considerate Constructors Scheme assessments³, compared to an industry average of 36.55

Whilst we have not undertaken a new full employee engagement survey during 2020, we have undertaken a number of pulse surveys focussed on the specific challenges being met by our employees during these unprecedented times of COVID-19. Our employees have fully engaged with us and provided helpful feedback that we have been able to incorporate as we set up our new COVID-19 working practises and re-opened our offices. Employee engagement provides an excellent insight from our employees and we continue to work on initiatives in this area as we understand how critical our people are to our success.

Our waste management results continue to be impressive, with 94% of waste being diverted from landfill, above our target of 90%. For further discussion of our impact on the environment please see Section 172(1) statement part d) the impact of the company's operations on the community and the environment.

Operational review and future developments

Marine

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

Our successful appointment in 2020 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) has expressed an intention to use this framework as one of its preferred routes to market.

Projects undertaken in the year included progressing works on 2 major projects constructing new Jetties & associated facilities in Plymouth and Clyde and commencing the first tranche of works under our Southsea Coastal Defence Framework.

UK ports have been assessing the implications of the UK's decision to leave both the EU Customs Union and the Single Market. We believe that changes will lead to investment in ports driven by the £100m Port Infrastructure Fund and the creation of 10 Freeports.

Defence

VolkerStevin is an accredited 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 our portfolio of work, particularly with the Royal Navy, is seeing steady growth.

Projects undertaken in the year involve marine works under the Clyde Framework and 2 major projects constructing new Jetties and associated facilities in Plymouth and Clyde for the DIO / Royal Navy. We have also been involved in a number of schemes providing an Early Contractor Involvement role that should lead to secured orders for the delivery stage in 2021.

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 delivering capital works schemes.

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Business Review (continued)

Operational review and future developments (continued)

Overall, we expect this market to continue to provide opportunity, as the marine and defence sectors continue to offer us a range of long-term, diverse opportunities from which we are able to be selective and take a targeted approach with the customers and projects we pursue. With our current and identified mix of work well balanced between commercial ports and the MoD, major projects and long-term frameworks, we are well positioned.

Water and Environment

Water

VolkerStevin Limited's prominence and reputation in the water sector has developed significantly through our involvement in AMP6. Our key customers are water and wastewater utility companies. We provide a full range of civil engineering, mechanical, electrical and instrumentation services for both clean water and effluent treatment. These services include new build, refurbishment and extension works to water treatment plants, effluent treatment plants, UIDs and outfalls on a civils-only, civils/MEICA and MEICA-only basis.

For AMP7, we are currently working with 2 joint venture parties serving two major Utilities, one as sole delivery partner. The frameworks cover the full spectrum of works for both water and wastewater.

As a regulated sector, spending is largely insulated from any substantial impact of Brexit. 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 the EU directives such as the Water Framework Directive (WFD) yet de-couple from some of the more onerous and inefficient requirements which would drive advances in innovation and technology to meet the expected quality improvements.

Environment

VolkerStevin Limited 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 mechanical, instrumentation and electrical works.

Following a long partnership with the Environment Agency, we were re-appointed as a sole contractor under its Collaborative Delivery Framework (CDF) in 2 regions, and alongside an associated joint venture partner VBA Joint Venture Limited on a national Marine and Coastal Framework (MCF). 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 and private developers.

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 and has a proven track record in delivering complex HDD projects associated with energy and Utility infrastructure in the UK.

We have been awarded a framework with Strategic Pipeline Alliance for the delivery of HDD crossings for the new potable water pipeline across East Anglia for Anglian Water and are now commencing the ECI works to develop the appropriate solutions with work to start later in 2021.

COVID-19

The impacts of the Coronavirus COVID-19 pandemic continued to be significant in 2020 and throughout 2021. Looking ahead into 2022, although most restrictions have been lifted in the UK, the full extent of the longer-term impact on the construction industry, remains a matter that is under constant review by management. For further discussion on the risks with regard to the pandemic see the Risk management section of this Strategic report.

Secured order book

The Company has in place a strong pipeline of quality work with the secured order book at 31 December 2020 of £230.5m, being an increase of £53.1m since last year. This is reflective of both the volume awarded through the AMP7 and CDF Frameworks as well as secured volume within the Marine Sector and illustrates the ongoing strength of our pipeline.

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 will focus on profit rather than volume and aim to maintain our unique reputation for quality, sustainability and innovation.

The business expects a significant proportion of its turnover to continue to be awarded through long term frameworks and will continue to be selective on external market opportunities, managing a balanced pipeline of identified schemes.

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Business Review (continued)

Going concern

Following the Company's recapitalisation on 29th November 2021, resulting in a positive 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).

The outbreak of COVID-19 is a very significant humanitarian and economic event facing many businesses. The UK suffered an economic recession in 2020 as it faced the impacts of the various lockdown measures. In this period of uncertainty, it is very difficult to make forward looking statements or predictions with any great accuracy. However, there is growing business confidence that there will be a recovery in output in 2021 based on falling COVID-19 cases, the vaccine rollout and the gradual loosening of lockdown restrictions. In the meantime, we have produced forecasts that have been sensitised to reflect a plausible downside scenario as a result of the COVID-19 pandemic and its impact on the UK economy, as discussed in the Going Concern statement (note 2.3) in these financial statements.

Operations have not been significantly impacted, due to our ability to manage our diverse customer and supplier base. We have no reason to believe this would not continue if further a further waves of COVID-19 occur.

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, operational, commercial, 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

- 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.

People, culture and values

Risk and Impact

- Our success is dependent on the recruitment, development, wellbeing and retention of our exceptional people who share our core values and culture.
- The risk is that we are unable to recruit or retain adequate high quality resources to deliver our programmes.

Mitigation

- Board level focus on all people matters to ensure a diverse and inclusive culture.
- Succession planning to ensure strong talent pipeline.
- Investment in learning and development 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.

Mitigation

- Listening to our clients to meet and exceed 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.

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Risk Management (continued)

<i>Risk and Impact</i>	<i>Environmental</i>	<i>Mitigation</i>
<p>We are very aware that construction has a significant effect on the environment and the communities in which we work. Adverse impacts on the environment and breaches of legislation can lead to environmental harm, reputational damage and enforcement action.</p>	<ul style="list-style-type: none"> • • 	<p>Culture, policy and strategy established by effective leadership.</p> <p>Board level focus on all environmental matters including monitoring of environmental KPIs such as carbon footprint, energy consumption and waste.</p>
<p>We take our responsibility seriously in respect of limiting the environmental impact of the work we do, and, whilst we consider the impact minimal in the context of our business, this includes any potential impact on climate change.</p>	<ul style="list-style-type: none"> • • 	<p>Our integrated management system encompassing procedures for the protection of the natural environment.</p> <p>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.</p>
<p>We assess the environmental aspects of our activities, products and services that we can control and those that it can influence, and their associated impacts, considering a life cycle perspective. 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.</p>	<ul style="list-style-type: none"> • • • 	<p>Maintenance of an environmental management system which assesses environmental conditions which may affect our activities at both fixed offices and our construction projects.</p> <p>Interfaces and responsibilities that are understood and accepted by all, supported by behavioural programmes, inspection and audit.</p> <p>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.</p>
<i>Risk and Impact</i>	<i>Systems and processes</i>	<i>Mitigation</i>
<p>We are dependent on the quality of our processes, controls and systems as well as the continued availability and integrity of IT systems to record and process data.</p>	<ul style="list-style-type: none"> • 	<p>Continue investing in systems and processes that enable efficient and effective operations.</p>
<p>Failure to control, manage and invest in our systems and processes including the IT environment will result in us not meeting the future needs of the business in terms of expected growth, security and innovation.</p>	<ul style="list-style-type: none"> • • • 	<p>Clearly defined management systems, interfaces and responsibilities that are understood and accepted by all.</p> <p>Monitor and control all aspects of IT systems access and performance.</p>
<p>IT system failure arising from new system integration and/or implementation could result in lack of access to critical data.</p>	<ul style="list-style-type: none"> • 	<p>Appropriate contingency plans to mitigate risk of systems loss.</p> <p>New systems are only deployed after full testing.</p>
<p>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.</p>	<ul style="list-style-type: none"> • • 	<p>Regular review and testing of data security controls.</p> <p>Established cyber programme with robust security arrangements and active monitoring.</p> <p>Ensure any adopted joint venture partner's systems are fit for purpose and conform with the above.</p>
<i>Risk and Impact</i>	<i>Adequacy of insurance</i>	<i>Mitigation</i>
<p>We maintain appropriate insurance programmes to mitigate against significant losses in line with general industry practice.</p>	<ul style="list-style-type: none"> • 	<p>Suitable arrangements exist to underpin and support the operations and services.</p>
<p>Lack of adequate insurance cover could result in potential financial loss or penalties.</p>	<ul style="list-style-type: none"> • 	<p>Regular review of our position with our broker and insurers to ensure that the optimum cover is in place.</p>
<i>Risk and Impact</i>	<i>Financial risk</i>	<i>Mitigation</i>
<p>It is essential to fully understand the financial position of our partners in all of our contractual relationships.</p>	<ul style="list-style-type: none"> • 	<p>Due diligence including credit reviews of our clients, partners, supply chain and other stakeholders.</p>
<p>Failure of our partners including financial institutions, customers, joint-venture partners and our supply chain could potentially affect short-term cash flows.</p>	<ul style="list-style-type: none"> • • • 	<p>Insure credit where appropriate to do so.</p> <p>Procedures to monitor and forecast cash flow.</p> <p>Committed credit facilities to ensure we have adequate cash when required.</p>

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Risk Management (continued)

<i>Risk and Impact</i>	<i>Fraud</i>	<i>Mitigation</i>
<p>Our Integrity Policy covers all aspects of ethical behaviour ensuring that all of our employees and supply chain are open and honest, our business ethically and morally strong and each of us is accountable.</p>	<ul style="list-style-type: none"> • 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. 	
<p>Damage to the reputation of the business through poor conduct and acts of fraud, bribery, corruption, or anticompetitive behaviour can all adversely impact corporate reputation and financial loss.</p>		
<i>Risk and Impact</i>	<i>Political, market and economic risk</i>	<i>Mitigation</i>
<p>Political, market and economic factors play a significant part in investment decision making for our clients as well as pricing and availability of our supply chain and other partners.</p>	<ul style="list-style-type: none"> • 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 industry peers, financial partners, clients and supply chain to ensure that we are aware of, and anticipating, changes in our market and the economy. 	
<p>Changes in the economic environment, government policy and regulatory developments may impact on the number of new projects in the market, and the cost of delivering those projects, which in turn may impact on the profitability and cash flow of the business.</p>		
<i>Risk and Impact</i>	<i>Change in the UK's EU status</i>	<i>Mitigation</i>
<p>The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets.</p>	<ul style="list-style-type: none"> • The UK Board is actively monitoring the impact of the UK exiting the EU including the potential for 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. • All necessary registrations have been put in place and our teams trained on how to manage the importation of goods and services following the exit from the European Union. We are supporting relevant team members in appropriately managing any complexities arising from border controls and changes to immigration requirements. • The British Government continues to see infrastructure as the foundation on which the economy is built, and the pipeline across general infrastructure, energy, water and transport sectors is expected to generate significant growth across the UK. This creates extensive opportunities for our business, which is well positioned in a number of key infrastructure sectors. 	
<p>Specific risks include:</p> <ul style="list-style-type: none"> • the potential for increased material costs as a result of exchange rate differences on materials imported; • border controls and increased administration; • potential delays to construction programmes from delays in acquiring and receiving materials; and • skills deficiencies arising from difficulties in obtaining EU workers within the supply chain. 		
<i>Risk and Impact</i>	<i>Ability to continue to operate during a pandemic</i>	<i>Mitigation</i>
<p>A global pandemic could 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.</p>	<ul style="list-style-type: none"> • 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. 	
<p>Specific risks include:</p> <ul style="list-style-type: none"> • 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. 		
<i>Risk and Impact</i>	<i>Security/terrorist threat</i>	<i>Mitigation</i>
<p>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.</p>	<ul style="list-style-type: none"> • 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.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement

This statement has been prepared solely to provide information to assess how the Directors 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 of our stakeholders, who include employees, customers, suppliers, shareholders, regulators, charities and local community. The Board believes that part of that responsibility includes understanding the views of those stakeholders and building constructive relationships with them. Further details on how we communicate and engage with our different stakeholders is included in the relevant sections below. During the year we have continued to ensure that the health, safety and wellbeing of our people and stakeholders has remained central to everything we do.

The Directors have acted in good faith and in a way that they are 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

Strategy

Despite the challenges in the market and more generally across the UK and beyond in these exceptional times, our strategy of prioritising cash-backed profits ahead of turnover growth, and of maintaining our measured and selective approach to bidding and winning work has continued to serve us well. Our careful, measured approach has enabled us to maintain our credibility among our peers and continue our focus on solutions for long term value. We pride ourselves on being grounded, stable and dependable. As well as being selective on contracts, and ensuring robust governance, we're also strong on cost control, and our strategic investments in the future are considered and targeted. The Board are heavily involved in capital allocation decisions and all capital expenditure over £10,000 is approved by a member of the Board. This ensures that the Board considers the likely long term consequences of their investment decisions.

Our business model is formed of four pillars of growth; Exceeding expectations; Driving innovation and digital transformation; Encouraging entrepreneurship; and Enhancing collaboration. By continuing to deliver successfully on these, we will meet our business goals to satisfy our clients' requirements and gain advantage in the marketplace. Our pillars of growth are underpinned by the essential foundations of excellence on which our leading business is built and support the success of our strategy. The foundations cover the way we operate - delivering excellence in engineering and operational delivery, supported by our systems, processes and risk management, the behavioural standards and values of our people, and our approach to corporate responsibility.

A robust set of pragmatic core values supports our business model and helps shape and guide our behaviours, decisions, and activities. These are; Integrity; Passion; Innovation; Collaboration; and Winning. Delivering to the highest standards is simply embedded in our way of working, and our goal is to continually exceed our clients' expectations and deliver advantage together. We promote a culture which is authentic, honest and dependable. We have a selective approach to taking on new work, which means that we bring our absolute best in the projects we deliver.

We work to exceed the expectations of all our stakeholders in everything we do, ensuring we seek out and deliver continuous improvement, not least through the delivery of innovation and digital solutions. We encourage and empower originality and entrepreneurship in our people, teams and businesses, and seek out opportunities for collaboration-in-house, and with our external partners and supply chain.

At VolkerStevin, our culture is down to earth, but as a business we are delivering excellence. We have a measured approach, we maintain high standards and we deliver on our promises. We are very proud of our business and what we are achieving together. Delivering to the highest standards is simply embedded in our way of working, and our goal is to continually exceed our clients' expectations, do all we can to add value and deliver our projects to the highest possible standard.

Board governance structure

Our Board decision making processes and governance structure ensure that we are able to make appropriate and informed decisions rapidly within a fundamental framework of sensible checks and balances. VolkerStevin is represented on the VolkerWessels UK Board and the wider Executive Committee which means that our Board decisions constantly consider the needs of VolkerStevin. All decisions to enter into transactions will be reviewed by at least two people to ensure independence and our delegated authorities are set out clearly within each company with a number of structured review processes for new bids and tenders, entering into new markets, project risk control and governance, across our business.

Our Operations Board plays an important role in focussing on excellence in operational delivery. It is a cross-business Leadership Team, which helps advise the business and takes action on matters that have a potential impact on our operations. The Health, Safety and Sustainability Leadership Groups bring together the Managing Directors, Operational Directors, Health and Safety, Corporate Responsibility and Environmental leads from each of our businesses on a quarterly basis to review Health, Safety and Sustainability performance and key issues or items of strategic significance. Our Risk Management Board reviews and advises on operational and commercial risk management. Our Strategic Transformation Programme Board bring together our digital and technology developments and ensure that our approach to improvement is rooted firmly in ensuring that our people are at the forefront enabling us to be powered by data, driven by people. These Boards and Leadership Groups enable information-based decision-making by the Board Directors on key strategic matters.

Understanding the market in which we operate

Monthly business review meetings provide a forum for the VolkerWessels UK 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.

External factors, for example of a political, economic and technological nature, are continuously monitored by the Board ensuring short and long-term implications are understood, and strategy adjusted accordingly. The breadth and diversity of the Group provides good resilience to cope with fluctuations in particular markets which may be caused by the factors above.

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Strategic Report

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Section 172(1) statement (continued)

a) The likely consequences of any decision in the long term (continued)

Corporate responsibility

At VolkerStevin Limited, corporate responsibility means ensuring the health, safety and wellbeing of all those impacted by our operations; minimising our impact on the natural environment; operating in a way which is sustainable; and ensuring that we contribute to the communities where we work and wider society, offering social value through all of our activities. Safety will always remain the number one priority for our business and our sector. Ensuring that our people, our subcontractors, members of the public, and all of our stakeholders go home safely each day is our guiding principle.

The Board ensures that its decision making enables and supports this objective in both current activities and in the long term, through active monitoring, challenging and review of key elements of the strategy which are set out in more detail in the relevant sections below.

All aspects of corporate responsibility are high on the Board agenda and regular reporting is reviewed, interrogated and further actions and initiatives delivered through a process of continuous improvement. The Health, Safety and Sustainability leadership groups, which are comprised of Board members from VolkerWessels UK and its businesses, ensure delivery of this continuous improvement programme and maintain oversight of the VW UK approach to health and safety, sustainability and environment.

During 2020 VolkerWessels UK published its sustainability strategy based on the key themes of People - Planet - Purpose. This sets out clearly the goals and ambitions of VolkerWessels UK in this very important arena and sets out our longer term aspirations for each aspect. Each year the Board will ensure that there is a published update to the achievements against stated objectives in each of these areas.

Investing in enterprise systems, innovation and digital technology

Through its Strategic Transformation Board, Operations Board and Advance Programme Board, VolkerWessels UK is investing in its digital footprint and bringing innovation to the fore. The Strategic Transformations Board brings together all of our businesses and functions to ensure we have a systems and data strategy that will set us up well for the future. This is underpinned by strong governance, appropriate cyber and other IT security arrangements and a programme of business as well as technology change. The Operations Board oversee the site-specific digital enhancements which range from specialist tactical applications to support specific site productivity objectives, through to strategic applications such as our site induction systems, common data environment and dynamic management systems tool. The Advance Programme Board are focussing on oversight of the roll out of a replacement ERP system across all our businesses over the next two years which will also incorporate updating our works order systems that will link into our client systems across our contracts. This will bring a web based look and feel to our core back office systems as we introduce Microsoft business central and associated construction-specific functionality to all of our businesses, enabling also more interactive sharing of data with our supply chain and our client base. During 2020 we have gained Cyber Essentials+ accreditation and achieved the latest industry leading building information modelling (BIM) accreditation to ISO19650 for VWUK, covering all companies. We are also currently working towards ISO27001 accreditation in 2021.

Dividend policy

Our dividend policy is to consider first and foremost the financial strength of the individual entity, ensuring that where capital investment or additional working capital requirements are identified, that those are satisfied. We would expect to pay dividends up to 100% of net profit having taken those business priorities first into consideration.

(b) The interests of the company's employees

At VolkerStevin, 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.

All of our people are given the opportunity to develop and grow, with significant investment being made in our workforce to learn new skills. We are focused on providing diverse access to a broad range of learning routes to ensure our workforce have the required skills to support the growth of the Company.

We are also investing significantly in our People systems, in order to attract and retain the best talent available and support the employee life cycle as comprehensively as possible.

A clear strategy for people

To continue to deliver a successful and growing business, it is vital that as a Company we are able to attract and recruit the top talent in our sectors, engage and retain our workforce at all levels and develop the core skills required to ensure we maintain a successful business. The Board actively drive this strategy and monitor its implementation through a number of focussed and specific actions delivered across the group and within each business.

Last year we developed and launched our Employee Value Proposition to enable access to the key talent throughout our sectors, and this year we have built upon that to adopt the latest resourcing tools, including social media, to broaden the range of candidates we engage with. We regularly benchmark our reward and recognition to ensure we are competitive in our markets and are actively exploring ways of creating more agile and flexible working practices as we focus on creating a truly inclusive culture.

Providing an inclusive culture where all of our employees can contribute and prosper is a priority for the Group, and there has been a particular focus on further developing our diverse business to represent the communities we work with and the clients we service.

A key focus of the Group's People Plan, is the utilisation of improved systems and digital technology to ensure our data is managed accurately and our processes are effective in enabling an efficient business. In November 2020 new Recruitment, HR and Payroll systems were introduced, which include self-service functionality. This provides access to, and ownership of, personal data for all employees. For new employees and candidates this also provides direct access throughout the recruitment and onboarding process, giving prospective and future employees the right information at the right time, delivered electronically.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

(b) The interests of the company's employees (continued)

The challenge of maintaining our operations following the Covid pandemic has 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.

Health and safety

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

Well established behavioural programmes have enabled our workforce, employees and supply chain, to actively engage in maintaining a safe working environment; introducing a range of proactive and preventive improvements to how we conduct our operations.

In 2020 VolkerWessels UK continued to build upon prior achievements across the range of safety performance indicators and our accident rate is below the industry average.

Maintaining the mental and physical health of employees is the cornerstone of our occupational health strategy, delivered through a directly employed occupational health team. In addition to health surveillance, we place particular focus on raising awareness and the importance of maintaining good mental health. This includes training for line managers and supervisors on tackling health risks specific to construction while providing any support and guidance required.

Relevant VolkerStevin Group statistics – health and safety

- Accident Frequency Rate (AFR)¹ of 0.16
- Accident Incidence Rate (AIR)² of 382
- 55% increase in our Minor Injury Frequency Rate (IFR)
- 80% increase in our All Reported Injury Rate (ARI)
- Service Strike Rate (SSR)³ of 0.43
- 38% decrease in hazard / near miss / close call frequency rate, over 5,000 reports raised
- One RoSPA Gold Medal

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.

³ Service Strike Rate (SSR) - Service Strike Rate (SSR) = (number of service strikes + total work hours) x 100,000.

Developing and retaining our people

We continue to review employee performance on a regular basis and agree individual development plans for all staff. Our workforce is encouraged to seek development opportunities in all areas of work activity, with a focus on learning 'on the job' rather than relying only on formal training courses. We are also investing in more active learning delivery channels, utilising our available technology, to help our staff access the training they need when they need it.

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

We work closely with industry based educational organisations and professional bodies such as the Construction Industry Training Board (CITB), Chartered Institute of Building (CIOB), the Royal Institute of Chartered Surveyors (RICS) and the Institute of Civil Engineers (ICE) among others to help our people achieve professional accreditation in their chosen discipline. In addition, through these relationships we are able to offer in house support, bespoke seminars and development opportunities to employees at every stage in their career to enable their continued professional development and identify the right work placement candidates, apprentices and graduates who are in the process of getting qualified. Many of these individuals ultimately work with us permanently.

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.

Despite operating in a very different environment this year, we have continued to actively support and develop our people across the Company. The annual development reviews commenced in the Autumn as planned, and a significant investment in Learning and development has continued. The current environment has accelerated the trend towards a more agile delivery of training that was already underway, through the use of digital courses and just-in-time learning. However more traditional classroom training has still been available where appropriate and has been adapted to align with COVID-safe working practices.

Although the economic environment has been uncertain this year, as a Company, our strong commitment to creating a strong pipeline of talent joining the industry has remained strongly supported by the Board. There has therefore been continued significant investment in trainees and graduates, and we have further developed partnerships with our supply chain to maximise the benefit of our apprenticeship levy.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

(b) The interests of the company's employees (continued)

Employee engagement

We regularly measure the engagement levels of our workforce, and all employees are given the opportunity to share their thoughts on the group and how they feel about working for VolkerStevin. Our employee engagement is significantly higher than our benchmark companies. By 2019, our engagement score was 86%, with all key engagement drivers demonstrating improvement since the prior years.

During 2020 we decided to pause our annual employee engagement survey for the year to focus instead on more targeted employee surveys to assess the wellbeing of our teams during the exceptional and potentially stressful working situations caused by the pandemic, whether our site teams, who were working in challenging conditions through successive lockdowns, or our office based teams who had moved to working from home and working in a more remote and potentially isolated environment.

These surveys provided insights to enable the board to ensure that appropriate measures were being taken throughout different stages of the pandemic, from the point of initial lockdown where our site teams adapted to new working guidelines, with increased Personal Protective Equipment, social distancing rules and new ways of working coming to the fore, to the maturing of those processes into the 'new norm'. Our office teams also very rapidly adapted, moving from office-based and often paper-centric processes to more innovative and digital solutions, to consistently deliver support to our teams out on site.

Throughout this year, the board reflected on the quality and the dedication of our people, from those placed on furlough, in the early days of the pandemic, to those who continued to work, despite considerable uncertainty in these unprecedented circumstances. Following survey feedback from employees across the company, the board also listened to the concerns of our teams, particularly those who were finding the lack of social interaction to be challenging. The business set up a range of support and communication mechanisms, such as regular newsletters and messages from senior leaders, online forums, where employees could ask questions or raise issues, and a dedicated section of the group intranet, providing information, FAQs, and resources, regarding the pandemic, as well as access to mental health support. We also provided a number of interactive initiatives to overcome concerns of isolation, such as fitness and yoga sessions every week, and team quizzes and online 'social' evenings.

During the year, we also picked up on the areas of focus that had been identified in previous engagement surveys. These included the desire to improve flexibility in the way we work; continuing to develop our strategy for recognising and rewarding the performance of our employees, and regular and timely communication about the group's overall strategy and objectives.

How the Board engages with employees

The Board engages with employees in a number of ways. There are regular informal meetings as the Board are all involved in the direct running of specific areas of the business.

We also survey our workforce in order to understand their thoughts on a number of issues. Recent examples include the annual engagement survey and the Investors in Diversity survey.

The Board considers regular engagement with employees as a critical requirement for ensuring the business remains successful.

Each business unit holds regular engagement events, such as business updates and staff briefings, which allow Board members to communicate directly with their teams and for employees to raise questions with the Directors. The Board also conduct site visits on a regular basis which provide an opportunity to closely engage with our operations teams.

There are also Group-wide forums on specific issues which include National digital disruption call, the Equality, Diversity & Inclusion Champions forum, and Inclusive Leadership roundtable discussions where members of the board open the floor to questions from any employee.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

(b) The interests of the company's employees (continued)

The Board's focus on future skills and new talent

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

The UK Group are members of the 5% club, which is a group of employers committed to earn & learn as part of building and developing the workforce they need to play their part as a member of a socially mobile, prosperous and cohesive nation. The Club exists to help its members and all employers increase further the number, quality and range of earn & learn opportunities across the UK. By joining the 5% Club, members aspire to achieve 5% of their workforce in earn and learn positions (including apprentices, sponsored students and graduates on formalised training schemes) within five years of joining. VolkerWessels UK currently have 9% of our workforce in earn and learn positions within five years of joining.

We support the Careers and Enterprise Company and other similar organisations, providing volunteered help and advice to a number of schools and colleges to promote engineering and construction careers and raise awareness. We encourage our employees to become STEM Ambassadors and are proud to have numerous members of this programme.

Each business is charged with developing and implementing a clear plan to ensure there are long term solutions for future skills requirements in place and the Board reviews this at a strategic level, ensuring that there is a balanced focus with a particular focus on supporting training and ensuring opportunities are fully available for all.

The recruitment and retention of key talent is essential for the success of the Company.

There has been significant investment in systems this year, including a new recruitment system and a digital candidate onboarding tool. The latter delivers a far more engaging candidate experience and supports the strategy to attract the highest calibre of talent for the business.

The internal resourcing team provides a focused service to key businesses, working with hiring managers to provide an end-to-end service from workforce planning and talent mapping through to effective development and application of our employee value proposition, and offer management to ensure our recruitment activities attract the best talent available.

Our Early Careers strategy is to focus on bringing through a wide range of people from diverse backgrounds, representing the communities in which we operate, ensuring that we broaden our pool of recruitment and that we recruit at all levels, from apprentices and placement students to undergraduates. We also drive our school engagement activity through a dedicated steering committee and working group, to drive through the delivery of our commitments as set out in our Sustainability Strategy.

Investment in training and development

Investing in emerging talent is seen as a key business priority and our emerging talent programmes continue to grow, and we now offer a range of apprentice, industrial placement and graduate level opportunities to support our Early Careers strategy. We have also developed successful strategic partnerships with key education partners, as well as introducing new qualification routes to enable our teams to mature and develop further from within their roles. For example, a new Customer Service Apprenticeship was successfully achieved this year by a number of our team working in our support functions.

Beyond these emerging talent programmes, VolkerWessels UK have developed a full suite of management training which takes our employees on a journey from first line managers to the executive leaders of tomorrow and these programmes have continued throughout 2020. There is also a large investment in behavioural safety, compliance and professional training and a suite of e-learning covering topics ranging from integrity to IT. In addition to our broad offering of statutory and compliance training, we have also developed a range of agile learning opportunities to ensure our teams can continue to develop key skills even when more traditional training was somewhat restricted by the lock down challenges faced during the year.

We also have an integrity suite of training modules, offering a core platform of knowledge for all employees, which, for new employees, must be completed upon joining the organisation.

Relevant statistics - Investment in training and development

- We currently employ 106 graduates and 138 apprentices across the VolkerWessels UK Group.
- In 2020 employees across the VolkerStevin Group attended 1,198 (2019: 2,045) days of formal training courses, with the decrease resulting largely from the impact of COVID 19 on face to face training events.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

(b) The interests of the company's employees (continued)

Gender pay gap

We recognise that in our particular industry of engineering, there is a significant improvement that is required to increase the number of senior women across the industry. The Board actively reviews and monitors remuneration practices to ensure a fair approach is adopted across the group.

Led by the Board, we are working with the wider industry to encourage more women into construction and we are looking at several ways to enhance the representation of women across our business, for example partnering with Women into Construction.

The VolkerWessels UK Board understand that in order to continue to attract and retain a diverse workforce and address the Gender Pay Gap, in both our business and our industry, we need to act and embed an inclusive culture for the long term. It is imperative that we are successful in introducing diverse talent into our industry and this is a commitment which is being led by representatives from across the VolkerWessels UK Group.

A key focus of our People and Sustainability strategies is addressing under-representation in our business by 2025. We are pleased that the proportion of the female VolkerWessels UK population has increased in the past year and this is reflected in the female representation in our upper pay quartile increasing to 10.4%. However, we appreciate there is still much to do.

Equality, diversity and inclusion

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.

In 2020 we won Best Engineering Company and Most Improved Company - in the Investors in Diversity UK wide awards. More recently this year we were awarded the Ministry of Defence Employer Recognition Scheme Silver Award, a significant achievement and recognition for our work in this area, it is also an improvement on our previous bronze status.

The VolkerWessels UK Steering Group continues to set the EDI agenda for the business and are supported in delivering real change through a network of EDI Champions in all Businesses at all levels of the organisation. Our champions are our driving force and are key to engagement at the coal face.

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 the diversity throughout the Group. For example, we are currently working with Stonewall and Black Professionals in Construction (BPIC) to enhance the attraction of under-represented groups in our organisation.

We are actively developing our Leaders to ensure we drive a fully inclusive environment across our business and in 2020 the Board and Steering group attended our pilot Inclusive Leadership training ahead of a national roll-out in 2021.

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.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

(b) The interests of the company's employees (continued)

Ensuring adequate and competent resources

The Board receives and reviews holistic business reports from each area of the business based on the Key Performance Indicators most pertinent to them. At the top of the agenda on every meeting is safety as the health, safety and wellbeing of our people is our top priority. Each project and programme is monitored locally in terms of its delivery and progress, the quality of the work, the productivity of the sites and financial performance and also by the board as part of the wider business reviews. We ensure through our resourcing approach that we have the ability to direct our resources to address any issues and ensure that we are positioned for success.

We report our workforce planning forecasts on a regular basis at Board level and these requirements are proactively monitored by each business directly. These forecasts are determined through a range of sources such as project plans, workload reviews, business pipelines, resourcing activities and supply chain management.

(c) the need to foster the company's business relationships with suppliers, customers and others

Supply chain

Our supply chain partners form an integral part of the Company's commitment to offering our clients a quality service, in line with our Strategic pillars of growth. 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. Our supply chain is thoroughly assessed against key indicators including health and safety performance, design and technical capability, financial strength and sustainable ethical working practices with an active encouragement of micro, small and medium enterprises alike. We seek feedback from our supply chain during many meetings and supplier days underpinned by our annual '360' survey.

The Board approves large orders in accordance with an agreed authorisation matrix. Business to Business meetings are held with our largest suppliers and subcontractors prior to the start of a large project and periodically, as appropriate. The Group does not engage in reverse factoring or other supplier financing arrangements.

During the year, due to COVID-19 and the general disruption to everyday working lives whilst we have continued to maintain strong and proactive one to one dialogue with our many supply chain partners, we have been unable to run our usual supply chain forums. In 2021 we intend to re-commence these again, initially with online versions and then hopefully later in the year with face to face meetings and events. Historically we have run a number of 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 as part of our strategy to closely engage with and support our supply chain throughout the year. During 2022 we will be introducing an improved Enterprise Resource Planning system based on a construction specific version of Microsoft Business Central. We will be sharing 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.

Since May 2013 VolkerWessels UK has been compliant with the Prompt Payment Code, sponsored by the Department for Business, Energy & Industrial Strategy. All large entities within the Group are signatories of the code. 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.

Relevant statistics - supply chain

- Supplier payment performance for the year showed that the average time to pay an invoice was 38 days.
- Supplier days excluding accruals were 76 (2019: 69).
- Over 95% of invoices were paid within 60 days.

Customers

The VolkerWessels UK Board has an established framework whereby businesses are required and empowered to develop their own business plans for subsequent review and endorsement by the Board.

Each business develops a five-year plan setting out, amongst other things, its proposed sector focus and customer base. From these plans we identify key customers and establish relationship management plans in order 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 businesses, such as in the Defence sector. A significant volume of VWUK's work is for public sector customers, such as the Environment Agency, Highways England and Defence Infrastructure Organisation (operating arm of the Ministry of Defence), several of which have awarded framework contracts that provide a solid baseload of work for VWUK businesses.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

(c) the need to foster the company's business relationships with suppliers, customers and others (continued)

Customers (continued)

Lookahead business pipelines are reviewed at both a business level and Board level where predicted trends are evaluated which may influence future business direction. A common governance process has been established across the Group whereby opportunities must, in the first instance, meet stringent selectivity criteria. Thereafter, additional review and approval mechanisms are in place to ensure risks are understood and mitigated.

Regular customer contact is undertaken at all levels through the organisation, where we seek to understand customer objectives and priorities, and gather feedback on our performance. This guides the development of our solutions and highlights opportunities for investment and further research and development (R&D). Consistent with one of our core values, innovation is integral to us maintaining a market leading position in our chosen sectors. All employees receive mandatory training using our Integrity Suite of learning modules in areas such as anti-corruption and modern slavery.

Customer satisfaction is measured on a more formal basis through tailored interviews, the results of which are fed back to senior management and actions implemented as necessary.

In the year, the Group has further developed its key account management plans for strategic customers in highways, rail and defence. These plans provide a structured approach to developing relationships at all levels, from Board members to project teams.

Other Stakeholders

We engage with our Shareholders and broader group through many informal as well as formal routes with a quarterly business review and reports. Our objectives are set and agreed through our 5-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.

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

We actively participate as members of a number of industry bodies including; Railway Industry Association, Civil Engineering Contractors Association, Build UK, B&CE / Constructing Better Health, Institute for Collaborative Working, Institute of Environmental Management and Assessment, British Occupational Health Society, British Quality Foundation Considerate Constructors Scheme, FORS, CLOCS, Brake Road Safety, Construction Plant Association, RoSPA, British Safety Council and the Supply Chain Sustainability School. In addition we take part in numerous industry-related forums.

We recognise that it is important that we have strong relationships with the numerous regulatory and professional bodies that we interact with. Many of these relate to employees and customers, and have been mentioned also in previous sections. We ensure we are compliant with statutory regulations and legislation, and aim for best practise under voluntary codes and initiatives. Our Board members are on the Boards of a number of these associations and the Board takes an active approach towards participation in and support of industry initiatives.

We have a corporate website where stakeholders can find out more about who we are and what we do.

(d) the impact of the company's operations on the community and the environment

Giving back to the community

The business is 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 – be they infrastructure or buildings – but also a less tangible legacy by supporting local communities, through engagement with schools, through charitable activity and by supporting local organisations.

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

Our dedicated customer experience teams engage with communities across the country to minimise the impact of our construction works and maximise the social value we add. Despite the challenges that 2020 presented us with, in particular the inability to carry out face to face engagement, our teams quickly adapted hosting virtual consultation events, regular teams meetings with: flood action group members, parish councils and local residents as well as increased phone and email contact with all of our projects key stakeholders and local residents. In total the team engaged with 2,386 residents, as well as delivering 63,431 letters and newsletters to help keep residents informed. We have developed virtual information hubs on high impacting customer projects, to ensure that the information previously displayed in our customer visitor centres is still readily accessible in a virtual format. We have also developed of a community engagement app to enhance two-way communication with communities. Combining both traditional face to face communication and new advanced means of communication, has allowed our teams to engage with a wider audience across our projects in 2020.

Our Community Fund, which donates money to charities that our staff actively support, allied to the efforts of sites around the country raised over £5k to support charities, community events and societies. Despite the inability to run organised events, our customer experience team have continued to support the local communities in which we work by: donating surplus materials to local charities, organising food bank collections, supporting residents and businesses following flood devastation, raising funds for local sports groups and sponsoring team kits, organising tree cutting initiatives with schools, as well as continuing carrying out beach cleaning and litter picking days. We also supported the communities in which we worked with some of the challenges faced due to the Coronavirus pandemic. For instance, at Mytholmroyd we have erected fencing around a pub beer garden to help a local landlord comply with social distancing measures and to ensure customers comply with the one way system of entry and exit.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

(d) the impact of the company's operations on the community and the environment (continued)

Giving back to the community (continued)

We work collaboratively with our clients to deliver bespoke customer and community programmes which is recognised and appreciated by our clients. Our team received 55 'WOW' awards from United Utilities in 2020.

We delivered Xceed Customer Service training to over 100 staff, highlighting the importance of customer service in everything we do and making each individual aware of their potential contribution.

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 support STEM and Women in Construction events, with several employees volunteering their time and expertise to act as STEM Ambassadors. One employee has been appointed as Chair of the North West branch of the Institution of Civil Engineers and we look to support the efforts of industry bodies wherever possible.

Relevant statistics - giving back to the community

- Across the UK Group business wide close call reporting led to donations of £14k to the Samaritans (2019: £21k to Macmillan Cancer support) and £14k (2019: £21k) towards various other charities.

Our environmental impact

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

In this current uncertain environmental and economic climate, our capacity to endure, be agile and be resilient will be fundamental to our long-term growth and our ability to future proof our business. Notably, the world is facing a climate emergency. Climate change is progressing even faster than the world's top scientists have predicted and is outpacing our efforts to address it. Bold action with far greater ambition than ever before is needed to address climate change if we are to meet the goals of the Paris Agreement. We will build this 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 supply chain.

In 2020 we consolidated our achievements from the past decade and launched our refreshed sustainability strategy. 2020-2030 will be our 'Decade of Action'. We have built on our existing foundations and sound culture and have created a framework that supports our workforce and supply chain in understanding VolkerWessels UK's desire to grow responsibly, with respect for communities and the natural environment, and to leave a legacy we are proud of.

Being a responsible sustainable business embraces everything we do, be it safety, quality, the way we conduct ourselves, the way we respect our surroundings and the way we preserve the future for ourselves, our families, our colleagues and our communities. This framework builds on existing great foundations, aligns our collective ambitions, and enables us to unlock the social value in our operations.

The three pillars of our responsible and sustainable business are set out below, along with the key areas of focus for each.

1. People - putting people at the heart of our approach

This pillar respects the fact that our workforce is fundamental to the delivery of our framework, and the need to empower our people to be the drivers of sustainable and responsible change. Our people are the foundation of our business, so their safety and wellbeing will remain our priority, as will our desire to ensure our workplace is an inclusive and inspiring place to be.

- **Safety and wellbeing** - The provision of a safe working environment which prevents incidents or injury to our workforce and anyone else affected by our work. Our workforce will be guided to maintaining good mental and physical wellbeing, free from ill-health.
- **Equality, Diversity and Inclusion** - We will ensure that VolkerWessels UK is thoroughly inclusive of people from all lifestyles and is enriched by a diversity of perspectives, cultures and backgrounds, characterised by fairness and equality of opportunity.
- **Empowering sustainable leaders** - Our people will be supported in their ambitions to enhance their own skills, knowledge and experience in order to embrace and instigate sustainable and responsible change and inspire others to follow.

2. Planet - protecting and enhancing our natural environment

Each of our projects is unique and, as such, the environmental risks and opportunities that they present are unique. Our ability to address these risks professionally, combined with creatively assessing the opportunities available to us to deliver no net loss or, better still, net positive solutions, will ensure we act responsibly and proactively.

- **Climate, energy and emissions** - Translating and taking positive action to reduce or, wherever possible, eliminate our adverse impacts on climate change.
- **Responsible management of the environment** - Environmental risks and opportunities will be managed professionally, responsibly and innovatively.
- **Circular economy** - A fully embedded approach to a circular economy which aims to design for sustainability, minimises waste and make the most of resources.

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

(d) the impact of the company's operations on the community and the environment (continued)

3. Purpose - being a trusted, forward thinking and respected business of choice by delivering long-term social value

Making responsible and forward-thinking choices about the way our projects are executed, and how they will deliver social value, will support our overall vision to be the contractor of choice and encourage us to be a good neighbour in the communities in which we work.

- **Education and Employability** - Raising awareness of the opportunities that exist within VolkerWessels UK and the wider construction industry.
- **Charity, volunteering and community engagement** - Establishing meaningful relationships with charitable bodies and local communities which provide mutually beneficial opportunities.
- **Sustainable supply chain and ethical procurement** - To operate in a fair and ethical manner and publicise our desire to work alongside a network of like minded supply chain partners.

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

Relevant VolkerStevin Group statistics - sustainability

- Planet Mark™ Certification achieved for continuous improvement in reducing carbon emissions from Planet First, an international sustainability certification organisation.¹
- Between 2019 and 2020, using normalised² scope 1 and scope 2 data, CO₂ emissions increased from 26.0tCO₂e/£m of revenue to 43.3tCO₂e/£m. Whilst this appears to be a significant increase relative to the revenue metric, in absolute terms it represents an increase of 530tCO₂e or 7% normalised rise in scope 1 and 2 emissions.
- The largest normalised improvement in scopes 1 and 2 emissions was a 68% reduction in relation to electricity emissions due a shift to REGO certified energy sources during 2020.
- An average score of 40.68 over 53 Considerate Constructors Scheme assessments³, compared to an industry average of 36.55.
- We have increased the number of electric and hybrid vehicles to 19% of the overall fleet total.

¹ The Planet Mark is a certification programme that recognises commitment to continuous improvement in sustainability. The Programme helps to measure and reduce carbon emissions, energy and water consumption, travel, and the amount of waste members create. Holders of The Planet Mark Business Certification are required to measure and reduce their annual carbon emissions associated with business operations. Each year the new carbon footprint becomes the next year's baseline, thus driving continuous improvement and helping generate our outstanding results.

² Normalised data that reflects a like-for-like comparison on the data and emission sources between 2019 and 2020. This means we only use the data sources that are common between last year and the current year.

³ The CCS assessments are an industry standard. CCS is a not-for-profit, independent organisation founded to raise standards in the construction industry. Construction sites, companies and suppliers voluntarily register with the Scheme and agree to abide by the Code of Considerate Practice, designed to encourage best practice beyond statutory requirements. To establish compliance, and recognise performance beyond compliance, Scheme Monitors will visit offices, depots and individual projects or work areas, and will use the appropriate Checklist to confirm a score against each of the five Code headings – appearance, community, environment, safety and workforce.

(e) The desirability of the company maintaining a reputation for high standards of business conduct

Integrity

Maintaining a reputation for high standards of business conduct is of paramount importance to us and we expect all employees and all members of our supply chain to behave with integrity at all times. Indeed, integrity is one of our core values and this underpins all of our decisions, actions and behaviours.

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

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

Our integrity policies (which include expected behaviours in relation to all matters relating to integrity, anti-bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing), together with our core values, set out the standards and policies under which all of our employees must operate. These combined with our corporate responsibility commitments, provide the framework and guidance for operating in an open, honest, ethical and principled way. Our core values and policies explain how we should behave in the workplace, the marketplace and the communities in which we operate. They also describe how we should handle various legal and ethical matters. Our suppliers and contractors are required to comply with the standards of behaviour set out in these policies via suitable provisions included in their contracts with us. All members of staff, including Directors must complete mandatory online integrity training and our suite of policies relating to integrity matters have all been approved by the VW UK Directors.

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

VolkerStevin Limited
Strategic Report
for the year ended 31 December 2020

Section 172(1) statement (continued)

Whistle blowing

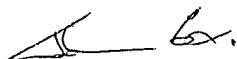
VolkerStevin is committed to conducting the business with honesty and integrity which we believe is necessary to ensure the future success of the company. It is therefore important to us that any malpractice in relation to the activities we undertake is reported and properly dealt with. We therefore encourage all individuals to raise concerns that they may have about the conduct of others in our business or in the way that the business is run via their line management, local HR representative or through our whistleblowing hotline or via our dedicated mailbox for reporting of suspected breaches of integrity matters. Any concerns raised are investigated and dealt with by our UK compliance officer who reports in to the VolkerWessels UK Board.

Our behaviour defines our reputation and we urge employees and stakeholders to raise concerns and any situations where they believe any of our integrity policies have been breached. This can be done via our whistleblowing hotline or through contacting our compliance officer directly.

(f) the need to act fairly as between members of the company

The company's parent VolkerStevin Group Limited is wholly owned by VolkerWessels UK Limited and therefore acts solely for its 100% shareholder. As a member of the Dutch group, Koninklijke VolkerWessels B.V., VolkerWessels UK also applies the internal regulations set out by the group to ensure that it acts fairly as between members of that company.

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



J Cox
Director
28 February 2022

Company registered number: 00288392

VolkerStevin Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

**VolkerStevin Limited
Directors' Report
for the year ended 31 December 2020**

The Directors present their annual Directors' Report and audited financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the financial year after taxation was £(9.1)m (2019 restated: £(1.9)m). The Directors do not recommend the payment of a final dividend (2019: £nil). An interim dividend of £nil was paid during the year (2019: £0.5m).

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
J M Suckling
NA Connell
AR Robertson
MG Woods
VolkerWessels UK Limited
AR Towse
RD Coupe
resigned 4 November 2021
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, section (b).

Business relationships

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

Political and charitable contributions

The Company made charitable donations of £1,000 in 2020 (2019: £6,278). The company made no political donations in 2020 (2019: £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 22 of these financial statements. Information on non-adjusting post balance sheet events is given in note 28 of the 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
28 February 2022
VolkerStevin Limited
Company registered number: 00288392

Herford Road
Hoddessdon
Herfordshire
EN11 9BX

VolkerStevin Limited

Directors' Responsibilities Statement

for the year ended 31 December 2020

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2020

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 2020 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 28.

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 strategic 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/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the members of VolkerStevin Limited for the year ended 31 December 2020

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. See note 26 for further information.

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 Act 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. Those that are fundamental to the operations of the company included the Bribery Act, employee laws, carbon reduction regulations, health and safety and environment matters.

We discussed among the audit engagement team, including internal specialists for fraud, tax, pensions and 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; assessing 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 (please refer to Note 26 for prior period adjustment arising from the incorrect and inappropriate allocation of costs to contracts and transfers of costs to contracts); 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.

Independent Auditor's Report to the members of VolkerStevin Limited for the year ended 31 December 2020

Matters on which we are required to report by exception

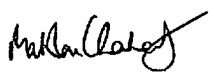
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

28 February 2022

Income Statement for the year ended 31 December 2020

	Note	2020 £000	2019 £000 (As restated see note 26)
Revenue	4	141,597	137,271
Cost of sales		(151,185)	(136,135)
Gross (loss)/profit		(9,588)	1,136
Administrative expenses		(1,568)	(2,930)
Operating loss		(11,156)	(1,794)
Financial income	8	-	63
Financial expense	9	(122)	(561)
Loss before tax	5	(11,278)	(2,292)
Income tax	10	2,183	430
Loss for the year		(9,095)	(1,862)

All results derive from continuing operations.

The notes on pages 31 to 60 form an integral part of the financial statements.

VolkerStevin Limited
Statement of Comprehensive Income
for the year ended 31 December 2020

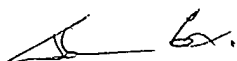
	<i>Note</i>	2020 £000	2019 £000 (As restated see note 26)
Loss for the year		(9,095)	(1,862)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension plans	19	(4,939)	629
Tax recognised on actuarial gains/(losses)	10	938	(106)
Other comprehensive (expense)/income for the year, net of income tax		(4,001)	523
Total comprehensive expense for the year		(13,096)	(1,339)

The notes on pages 31 to 60 form an integral part of the financial statements.

VolkerStevin Limited
Statement of Financial Position
as at 31 December 2020

	Note	2020 £000	2019 £000 (As restated see note 26)	2018 £000 (As restated see note 26)
Non-current assets				
Property, plant and equipment	11	360	306	366
Right-of-use assets	12	4,932	1,478	-
Trade and other receivables	15	-	4,262	6,752
Deferred tax assets	14	1,198	358	600
		6,490	6,404	7,718
Current assets				
Trade and other receivables	15	17,998	12,782	25,765
Contract assets	4	31,017	19,294	15,251
Tax receivables		4,469	2,751	1,827
Cash and cash equivalents	16	20,117	14,797	28,921
		73,601	49,624	71,764
Total assets		80,091	56,028	79,482
Equity				
Share capital	20	8,000	8,000	8,000
Retained earnings		(8,566)	4,530	6,266
Total equity		(566)	12,530	14,266
Non-current liabilities				
Lease liabilities	23	3,918	584	-
Trade and other payables	17	-	2,678	2,845
Employee benefits	19	4,936	498	1,583
		8,854	3,760	4,428
Current liabilities				
Lease liabilities	23	930	866	-
Bank overdraft	16	10,460	-	-
Trade and other payables	17	47,194	34,013	58,092
Contract liabilities	4	5,270	4,425	2,106
Provisions	18	7,949	434	590
		71,803	39,738	60,788
Total liabilities		80,657	43,498	65,216
Total equity and liabilities		80,091	56,028	79,482

These financial statements were approved by the Board of Directors on 28 February 2022 and were signed on its behalf by:



J Cox
Director
Company registered number: 00288392

The notes on pages 31 to 60 form an integral part of the financial statements.

VolkerStevin Limited
Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019 (As reported)	8,000	11,173	19,173
Effect of restatement (Note 26):		(4,907)	(4,907)
Balance at 1 January 2019 (As restated)	8,000	6,266	14,266
Comprehensive income			
Restated Loss for the year ¹	-	(1,862)	(1,862)
Other comprehensive income			
Actuarial gain on defined benefit pension plans, net of tax	-	523	523
Total comprehensive income¹	-	(1,339)	(1,339)
Transactions with owners			
Dividends paid (note 21)	-	(500)	(500)
Balance at 31 December 2019 (As restated)	8,000	4,530	12,530
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 gain on defined benefit pension plans, net of tax	-	(4,001)	(4,001)
Total comprehensive expense	-	(13,096)	(13,096)
Balance at 31 December 2020	8,000	(8,566)	(566)

1 - Restated for the effect of prior period adjustments (note 28)

Proforma Statement of Changes in Equity

Post Balance Sheet Event

Balance at 31 December 2020 as Reported	8,000	(8,566)	(566)
Issue of other equity instrument (Note 28)	-	17,000	17,000
Proforma Equity as at 31 December 2020	8,000	8,434	16,434

The notes on pages 31 to 60 form an integral part of the financial statements.

VolkerStevin Limited
Cash flow Statement
for the year ended 31 December 2020

	Note	2020 £000	2019 £000 (As restated see note 26)
Cash flows relating to operating activities			
Loss for the year		(9,095)	(1,862)
Adjustments for:			
Depreciation of property, plant and equipment	5	128	85
Depreciation of right-of-use assets	5	1,053	844
Financial income	8	-	(63)
Financial expense	9	122	561
Payments to defined benefit plans	19	(506)	(493)
Income tax	10	(2,183)	(430)
R&D expense tax credit		(725)	(725)
Operating cash flows before movements in working capital		(11,206)	(2,083)
(Increase)/decrease in trade and other receivables		(954)	15,473
(Increase) in contract assets		(11,723)	(4,043)
Increase/(decrease) in trade and other payables		10,503	(24,246)
Increase in contract liabilities		845	2,319
Increase/(decrease) in provisions		7,515	(156)
Cash used in operating activities		(5,020)	(12,736)
Interest paid		(74)	(433)
Tax received		1,288	470
Net cash used in operating activities		(3,806)	(12,699)
Cash flows relating to investing activities			
Acquisition of plant, property and equipment	11	(182)	(26)
Net cash used in investing activities		(182)	(26)
Repayment of lease liabilities (under IFRS 16)		(1,109)	(871)
Interest paid		(43)	(28)
Dividends paid to Company's shareholders		-	(500)
Net cash used in financing activities		(1,152)	(1,399)
Net decrease in cash and cash equivalents		(5,140)	(14,124)
Cash and cash equivalents at 1 January		14,797	28,921
Cash and cash equivalents at 31 December	16	9,657	14,797

The notes on pages 31 to 60 form an integral part of the financial statements.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

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 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 20. In addition, note 22 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 22 (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. Sensitivities are run to reflect different scenarios including, but not limited to, volume reductions and margin erosion. 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 year ending 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 recapitalisation on 29th November 2021, resulting in a positive net 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. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors will closely monitor cash conversion and covenants over the future period and have ensured that there are a number of mitigating actions that can be taken, including a potential delay in capex spend and the raising of additional finance.

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 (Pounds 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.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

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 Group 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 cases 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.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

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.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

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 Group measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL as defined below.

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

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

2.15 Financing income and expenses

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

Interest income and interest payable 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.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

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.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

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 2020 are listed below:

- Amendments to references to Conceptual Framework in IFRS Standards (effective 1 January 2020)
- Amendments to IFRS 3 'Business Combinations' - Definition of a business (effective 1 January 2020)
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material (effective 1 January 2020)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020)
- Interest Rate Benchmark Reform 'Phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2021)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) (effective 1 June 2020)

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:

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) (effective 1 April 2021)
- 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)

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.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

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.

VolkerStevin Limited
Notes to the Financial Statements
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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:

	2020 £000	2019 £000 (As restated)
Construction contract revenues	141,597	137,271
Total revenues	141,597	137,271

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

	2020 £000	2019 £000 (As restated)
Construction contract revenues	141,597	137,271
	141,597	137,271

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:

	2020 £000	2019 £000
Contract assets	31,017	19,294
Contract liabilities	5,270	4,425

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 2020 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 2020 are expected to satisfy performance obligations in the next 12 months.

VolkerStevin Limited
Notes to the Financial Statements
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4 Revenue (continued)

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

	2020	2019
	£000	£000
Contract assets:		
As at 1 January	19,294	15,251
Transfers from contract assets recognised at the beginning of the year to receivables	(19,294)	(15,251)
Increase related to services provided in the year	31,047	19,294
As at 31 December	31,017	19,294
Contract liabilities:		
As at 1 January	4,425	2,106
Revenue recognised against contract liabilities at the beginning of the year	(4,425)	(2,106)
Increase due to cash received, excluding amounts recognised as revenue during the year	5,270	4,425
As at 31 December	5,270	4,425

The amount of revenue recognised in 2020 from performance obligations satisfied in previous periods is £(10,739)k (2019: £4,222k).

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 2020 is £238,467k (2019: £185,371k).

Management expects that 39% of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised as revenue during the 2021 financial year (£93,227k), 23% during the 2022 financial year (£54,865k) and 38% thereafter (£90,375k).

Assets recognised from costs to fulfil a contract

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

VolkerStevin Limited
Notes to the Financial Statements
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5 Loss before tax

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

	2020 £000	2019 £000
<i>Depreciation of property, plant and equipment</i>		
- owned assets	128	85
- right-of-use assets under IFRS 16	1,053	844
Lease charges on short-term leases arising under IFRS 16	56	25
<i>Auditor's remuneration</i>		
- audit of these financial statements	200	160
Amounts received in relation to furlough scheme (Coronavirus Job Retention Scheme)	(490)	-

The cost of auditing the financial statements of the Company amounting to £200k (2019: £160k) 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:

	2020 No	2019 No
Management & administrative	116	114
Operational	403	403
	<u>519</u>	<u>517</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	28,856	28,064
Social security costs	2,937	2,936
Contributions to defined contribution plans	2,230	2,183
Contributions in respect of defined benefit plans	506	493
	<u>34,529</u>	<u>33,676</u>

The directors have re-assessed the allocation of staff numbers and costs across the entire VolkerStevin Group to provide a fairer representation of costs in each of its subsidiary including VolkerStevin Limited.

Staff numbers and their associated costs were previously incorrectly included in the entity based on the projects they worked on. The revised disclosure now allocates staff numbers and their costs in line with their employment status and therefore the comparative figures have been restated to include additional 51 number of people employed by the company and an increase of £5,404k in staff costs not previously disclosed.

Staff costs also include consideration given by the Company in exchange for service rendered by its employees, including non-monetary benefits, such as the costs of providing a company car to an employee, which were previously erroneously excluded. The prior year comparative has been restated to include £1,253k of costs.

The above adjustments were previously included within the income statement and therefore there is no impact on the profit for the year.

VolkerStevin Limited
Notes to the Financial Statements
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7 Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	338	443
Company contributions to money purchase pension plans	9	12
	<u>347</u>	<u>455</u>

The emoluments of the highest paid Director were £106k (2019: £154k) and company pension contributions of £nil (2019: £nil) were made to a money purchase scheme on his behalf. 6 Directors are remunerated through the Company (2019: 5). The other Directors are remunerated through other Group companies.

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

	2020 No	2019 No
Money purchase schemes	<u>4</u>	<u>5</u>

8 Financial income

	2020 £000	2019 £000
Interest income on short-term bank deposits	-	52
Amounts receivable from group undertakings	-	11
Total financial income	<u>-</u>	<u>63</u>

9 Financial expense

	2020 £000	2019 £000
Net interest on the net defined benefit liability	5	37
Interest on lease liabilities under IFRS 16	43	28
Net foreign exchange losses	16	-
Other interest	58	496
Total financial expense	<u>122</u>	<u>561</u>

VolkerStevin Limited
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10 Income tax

a) Analysis of the tax recognised in the income statement

	2020 £000	2019 £000 (As restated)
<i>Current tax credit</i>		
UK corporation tax:		
Current year	(2,374)	(570)
Adjustments for prior periods	94	4
Current tax credit	<u>(2,280)</u>	<u>(566)</u>
<i>Deferred tax expense (see note 14)</i>		
Origination and reversal of temporary differences	145	151
Change in tax rate	(43)	(16)
Adjustments for prior periods	(5)	1
Deferred tax charge	<u>97</u>	<u>136</u>
Total tax credit	<u><u>(2,183)</u></u>	<u><u>(430)</u></u>

b) Reconciliation of effective tax rate

The total tax credit for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000 (As restated)
Loss for the year	(9,095)	(1,862)
Total tax (credit)	<u>(2,183)</u>	<u>(430)</u>
Loss excluding taxation	<u>(11,278)</u>	<u>(2,292)</u>
Tax using the UK corporation tax rate of 19% (2019: 19%)	(2,142)	(435)
<i>Effects of:</i>		
Non-deductible expenses	-	13
Changes in tax rates	(43)	(16)
R&D expenditure credit	(91)	-
Other	4	3
Adjustments for prior periods	89	5
Total tax credit	<u><u>(2,183)</u></u>	<u><u>(430)</u></u>

c) Tax recognised directly in other comprehensive income

	2020 £000	2019 £000
Deferred tax credit/(charge) recognised directly in other comprehensive income	<u>938</u>	<u>(106)</u>

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

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015 and Finance Bill 2016 on 15 September 2016. These include reductions in the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the 31 December 2019 were measured using these enacted tax rates and reflected in the financial statements.

In the Budget on 11 March 2020, it was announced that the previously enacted reduction in the main rate of corporation tax to 17% from 1 April 2020 was not going to occur, and the applicable rate remained at 19%. As substantive enactment was after the balance sheet date, deferred tax balances as at 31 December 2019 continued to be measured at a rate of 17%.

In the Budget on 3 March 2021 the corporation tax rate was increased to 25% from April 2023. As the rate has not been substantively enacted at the balance sheet date, deferred tax balances as at 31 December 2020 continued to be measured at 19%.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

11 Property, plant and equipment

	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1 January 2019	771	909	1,680
Additions	-	26	26
At 31 December 2019	771	935	1,706
At 1 January 2020	771	935	1,706
Additions	-	182	182
At 31 December 2020	771	1,117	1,888
Depreciation and impairment			
At 1 January 2019	528	787	1,315
Charge for the year	18	67	85
At 31 December 2019	546	854	1,400
At 1 January 2020	546	854	1,400
Charge for the year	19	109	128
At 31 December 2020	565	963	1,528
Net book value			
At 31 December 2020	206	154	360
At 31 December 2019	225	81	306

Plant and machinery includes a share of joint operations assets at a cost of £48k (2019: £48k) and depreciation of £48k (2019: £47k).

VolkerStevin Limited
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12 Right-of-use assets

	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1 January 2019	754	914	1,668
Additions	-	933	933
Disposals	-	(108)	(108)
At 31 December 2019	754	1,545	2,299
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
Depreciation and impairment			
At 1 January 2019	-	-	-
Charge for the year	450	394	844
Disposals	-	(23)	(23)
At 31 December 2019	450	371	821
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
Net book value			
At 31 December 2020	3,950	982	4,932
At 31 December 2019	304	1,174	1,478

VolkerStevin Limited
Notes to the Financial Statements
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13 Investments

The Company has the following investments in jointly controlled operations:

Jointly controlled operations	Principal activities	JCO partner	Address*	Company Share %	
				2020	2019
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	1, 6 & 7	33.3%	33.3%
VSBW JV	Construction	Sita Remediation bv 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	

14 Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	Assets 2020 £000	2019 £000
Property, plant and equipment	260	271
Right-of-use assets	-	2
Employee benefits	938	85
Tax assets	1,198	358

b) Movement in deferred tax in the 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

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.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

14 Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior year

	1 January 2019 £000	Charge in profit or loss £000	Charge in other comprehensive income £000	31 December 2019 £000
Property, plant and equipment	331	(60)	-	271
Right-of-use assets	-	2	-	2
Employee benefits	269	(78)	(106)	85
	<u>600</u>	<u>(136)</u>	<u>(106)</u>	<u>358</u>

15 Trade and other receivables

	2020 £000	2019 £000 (As restated)
Trade receivables	9,617	9,451
Amounts owed by group undertakings (note 25)	6,462	6,730
Other receivables	763	-
Construction contract debtors	930	-
Prepayments	226	863
	<u>17,998</u>	<u>17,044</u>
Current	17,998	12,782
Non current	-	4,262
	<u>17,998</u>	<u>17,044</u>

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

Trade receivables include £3,689k (2019: £4,262k) of retentions relating to construction contracts in progress.

16 Cash and cash equivalents

	2020 £000	2019 £000
Cash	18,338	5,306
Cash Equivalents	1,779	9,491
Bank overdraft	(10,460)	-
	<u>9,657</u>	<u>14,797</u>

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

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Notes to the Financial Statements
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17 Trade and other payables

	2020 £000	2019 £000 (As restated)
Trade payables	28,540	24,391
Accruals and other payables	10,203	-
Tax and social security costs	5,984	2,965
Amounts due to group undertakings (note 25)	2,467	2,475
	<u>47,194</u>	<u>36,691</u>
Current	47,194	34,013
Non-current	-	2,678
	<u>47,194</u>	<u>36,691</u>

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

Included within Trade payables is £nilk (2019: £2,806k) expected to be settled in over 12 months.

Included within Trade payables are contract accruals of £13,530k (2019: £16,177k), which comprises amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

18 Provisions

	Contract provisions £000
Balance at 1 January 2020 (As restated)	434
Charge to the income statement	7,515
Utilised in the year	-
Balance at 31 December 2020	<u>7,949</u>
	<u>7,949</u>
	<u>7,949</u>

	2020 £000	2019 £000
Analysis of total provisions		
Current	7,949	434
	<u>7,949</u>	<u>434</u>

Provisions charged to the income statement in 2019 totalled £1,441k.

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.

VolkerStevin Limited

Notes to the Financial Statements

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19 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 £2,732k (2019: £2,005k) and the creditor outstanding relating to the plan at 31 December 2020 was £nil (2019: £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:

	2020 £000	2019 £000
Defined benefit assets	36,088	33,614
Defined benefit liability	(41,024)	(34,112)
Net liability for defined benefit obligations	(4,936)	(498)
Total employee benefits	(4,936)	(498)

VolkerStevin Limited
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19 Employee benefits (continued)

Movement in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset / (liability)	
	2020 £000	2019 (as restated) £000	2020 £000	2019 (as restated) £000	2020 £000	2019 (as restated) £000
Balance at 1 January	(34,112)	(33,139)	33,614	31,556	(498)	(1,583)
Included in profit or loss						
Interest (cost)/income	(669)	(905)	664	868	(5)	(37)
	(34,781)	(34,044)	34,278	32,424	(503)	(1,620)
Included in OCI						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
• Changes in demographic assumptions	(2,234)	799	-	-	(2,234)	799
• Changes in financial assumptions	(4,905)	(2,445)	-	-	(4,905)	(2,445)
• Experience adjustment	(401)	(49)	-	-	(401)	(49)
Return on plan assets excluding interest income	-	-	2,601	2,324	2,601	2,324
	(7,540)	(1,695)	2,601	2,324	(4,939)	629
Other						
Contributions paid by the employer	-	-	506	493	506	493
Benefits paid	1,297	1,627	(1,297)	(1,627)	-	-
Balance at 31 December	(41,024)	(34,112)	36,088	33,614	(4,936)	(498)

Plan assets

	2020 £000	2019 (as restated) £000
Cash and cash equivalents	151	2,579
Equities and other growth assets	6,055	9,059
Bonds and liability driven investments	9,024	6,875
Property	3,936	4,075
Diversified Growth Assets	5,980	6,190
Liquidity Driven Investments	10,160	4,048
Annuities	782	788
Total	36,088	33,614

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

VolkerStevin Limited

Notes to the Financial Statements

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19 Employee benefits (continued)

Actuarial assumptions

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

	2020 %	2019 %
Discount rate	1.2	2.0
RPI Inflation	2.9	2.9
CPI Inflation	2.1	1.9
CPI inflation linked increases in deferment	2.1	1.9
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	-	3.1
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	2.9	2.8
RPI inflation linked increases in deferment	-	2.9

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	22.4	24.8

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	2019 (as restated) +0.5% £000	2019 (as restated) -0.5% £000
Discount Rate	+/- 0.5%	(3,282)	3,692	(2,388)	2,729
Inflation (RPI)	+/- 0.5%	2,872	(2,872)	2,047	(2,388)

In valuing the liabilities of the pension fund at £41,024k, 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 2020 would have increased by £2,461k (2019:£1,706k) 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.

20 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 2019	8,000	8,000
At 1 January and 31 December 2020	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.

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Notes to the Financial Statements

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21 Dividends

The Directors do not recommend the payment of a final dividend (2019: £nil). No interim dividend (2019: 6.25p per share) was paid (2019: £500k) during the year.

22 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	2020 £000	2019 £000 (As restated)
Financial assets at amortised cost			
Trade and other receivables	15	19,701	15,960
Contract assets	4	31,017	19,294
Cash	16	20,117	14,797
Total financial assets at amortised cost		70,835	50,051
Total financial assets		70,835	50,051
Financial liabilities at amortised cost			
Bank overdraft	16	10,460	-
Trade and other payables	17	35,703	30,080
Contract liabilities	4	5,270	4,425
Lease liabilities (under IFRS 16)		4,848	1,450
Total financial liabilities at amortised cost		56,281	35,955
Total financial liabilities		56,281	35,955
Total financial instruments		14,554	14,096

Trade and other receivables above exclude prepayments.

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

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

22 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 £70,835k at 31 December 2020 (2019: £50,051k).

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:

	2020 £000	2019 £000
Civil Engineering	13,709	10,351
Public sector customers	293	387
Private sector customers	13,416	9,964
	13,709	10,351

Credit quality of financial assets and impairment losses

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

	2020 Gross £000	Impairment £000	2019 Gross £000	Impairment £000
Not past due	10,301	-	7,351	-
Past due (0-30 days)	820	-	850	-
Past due (31-60 days)	508	-	421	-
Past due (61 - 90 days)	2,080	-	1,729	-
	13,709	-	10,351	-

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 2020 the Company had no impairment provision (2019: £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.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

22 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
2020						
Bank overdraft	10,460	10,460	10,460	-	-	-
Trade and other payables	35,703	31,007	31,007	-	-	-
Contract liabilities	5,270	5,270	5,270	-	-	-
Lease liabilities	4,848	5,197	1,008	794	1,609	1,786
	<u>56,281</u>	<u>51,934</u>	<u>47,745</u>	<u>794</u>	<u>1,609</u>	<u>1,786</u>
2019 (As restated)						
Trade and other payables	30,080	26,866	24,188	2,678	-	-
Contract liabilities	4,425	4,425	4,425	-	-	-
Finance lease liabilities	1,450	1,483	799	412	272	-
	<u>35,955</u>	<u>32,774</u>	<u>29,412</u>	<u>3,090</u>	<u>272</u>	<u>-</u>

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 2020	Euro
	£000
Cash and cash equivalents	1,194
Trade and other payables	(418)
Statement of financial position exposure	776
31 December 2019	Euro
	£000
Cash and cash equivalents	5
Statement of financial position exposure	5

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 2020 would have changed equity and profit by £78,000 (2019: £1,000). 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.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

22 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:

	2020	2019
<i>Variable rate instruments</i>	£000	£000
Financial assets	20,117	14,797

A change of 100 basis points in interest would either increase or decrease equity by £201k (2019: £148k). 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 2020 and 2019.

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 11). 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

	2020	2019
£000	£000	£000
Interest on lease liabilities	43	28
Expenses relating to short-term leases	56	25
Depreciation on right-of-use assets	1,053	844

Lease liabilities in the Balance Sheet

	2020	2019
£000	£000	£000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,008	799
One to five years	2,403	684
More than five years	1,786	-
Lease liabilities - undiscounted cash flows	5,197	1,483
Discount	(349)	(33)
	4,848	1,450

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

23 Lease liabilities (continued)

<i>Amounts recognised in the Statement of Cash Flows</i>	2020 £000	2019 £000
Payments for short-term or low value leases	(56)	(25)
Repayment of capital element of leases	(1,109)	(871)
Interest payments on lease liabilities	(43)	(28)
Total cash outflow for leases	(1,208)	(924)

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 £17,477k (2019: £9,986k), which included an amount of £8,468k (2019: £nil) 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 (2019: £nil).

25 Related parties - restated

Related party transactions

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

Intercompany cash pooling payables, which have been classified as an overdraft in the statement of financial position (see critical judgement disclosure in note 3 had previously been excluded from the related party balances. These are balances between the entity and VolkerWessels UK (an intermediate parent). These are now restated for the prior year, shown as an additional section within the note. These are additional to the intercompany payable balance per the statement of financial position.

Compensation of key management

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

	2020 £000	2019 £000
Short-term employee benefits	338	443
Post-employment benefits (defined contribution plan)	9	12
	347	455

Lease liabilities owed to fellow subsidiary undertaking	2020 £000	2019 £000
At start of year	1,373	-
New leases	582	932
Repayments	(808)	(408)
Other movements	-	849
At end of year	1,147	1,373

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

25 Related parties (continued)

Related party transactions with fellow group undertakings

Related party transactions with fellow group undertakings are summarised below:

	Parent undertakings	Fellow subsidiary undertakings	Total
	£000	£000	£000
Amounts owed by undertakings			
2020			
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

	Parent undertakings	Fellow subsidiary undertakings	Total
	£000	£000	£000
Amounts owed by undertakings			
2019			
At start of year	16	19,705	19,721
Sales/Income	-	66,488	66,488
Receipts	(16)	(80,584)	(80,600)
At end of year	-	5,609	5,609

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

	Fellow subsidiary undertakings	Total
	£000	£000
Amounts owed to undertakings		
2019		
At start of year	14,098	14,098
Expenses	27,017	27,017
Payment	(38,640)	(38,640)
At end of year	2,475	2,475

Terms and conditions of transactions with related parties

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

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

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	2020 £000	2019 £000 Restated
At start of year	9,491	25,166
Movements in cash pool balance	(7,712)	(15,675)
At end of year	<u>1,779</u>	<u>9,491</u>

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

26 Prior period adjustments

As part of an in-depth review into the accounting adopted for contracts, some material errors were identified in the incorrect and inappropriate allocation of costs to contracts and the transfer of costs between contracts and reporting periods. Errors were also identified within the estimates of forecast costs of completion.

The impact of the prior period adjustments is as follows:

Income Statement

	2019 £000 As reported	Impact of review of revenue contracts	2019 £000 As restated
Revenue	133,731	3,540	137,271
Cost of sales	(128,672)	(7,463)	(136,135)
Gross (loss)/profit	<u>5,059</u>	<u>(3,923)</u>	<u>1,135</u>
Administration Expenses	(7,273)	4,343	(2,930)
Operating result	<u>(2,214)</u>	<u>420</u>	<u>(1,794)</u>
(Loss)/profit before tax	<u>(2,712)</u>	<u>420</u>	<u>(2,292)</u>
Income Tax	510	(80)	430
(Loss)/profit for the year	<u>(2,202)</u>	<u>340</u>	<u>(1,862)</u>

Statement of Comprehensive Income

	2019 £000 As reported	Impact of review of revenue contracts	2019 £000 As restated
(Loss)/profit for the year	(2,202)	340	(1,862)
Total comprehensive (expense)/income for the year	<u>(1,679)</u>	<u>340</u>	<u>(1,339)</u>

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

26 Prior period adjustments (continued)

Statement of Financial Position

	2019 £000 As reported	Impact of review of revenue contracts	2019 £000 As restated
Non-current Assets			
Right-of-use assets	1,672	(194)	1,478
Total Non-current Assets	6,598	(194)	6,404
Current assets			
Trade and other receivables	14,407	(1,625)	12,782
Contract assets	19,855	(561)	19,294
Tax Receivables	1,585	1,166	2,751
Total Current Assets	50,644	(1,020)	49,624
Total assets	57,242	(1,214)	56,028
Equity			
Retained earnings	8,994	(4,414)	4,530
Total equity	16,994	(4,414)	12,530
Non-current liabilities			
Lease liabilities	778	(194)	584
Total Current Liabilities	3,954	(194)	3,760
Current liabilities			
Trade and other payables	30,799	3,214	34,013
Provisions	204	230	434
Total Current Liabilities	36,294	3,444	39,738
Total liabilities	40,248	3,250	43,498
Total equity and liabilities	57,242	(1,214)	56,028

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2020

26 Prior period adjustments (continued)

Cash Flow Statement

	2019 £000 As reported	Impact of review of revenue contracts	2019 £000 As restated
Cash flows relating to operating activities			
(Loss)/profit for the year	(2,202)	340	(1,862)
Income tax	(610)	180	(430)
Operating cash flows before movements in working capital	(2,503)	420	(2,083)
Decrease in trade and other receivables	13,556	1,917	15,473
Decrease/(increase) in contract assets	404	(4,447)	(4,043)
Decrease in trade and other payables	(26,416)	2,170	(24,246)
Decrease in provisions	(97)	(59)	(156)
Cash used in operating activities	(12,736)	-	(12,736)
Net cash used in operating activities	(12,699)	-	(12,699)
Cash flows relating to investing activities			
Net cash from / (used in) investing activities	(26)	-	(26)
Cash flows relating to financing activities			
Net cash from financing activities	(1,399)	-	(1,399)
Net decrease in cash and cash equivalents	(14,124)	-	(14,124)
Cash and cash equivalents at 1 January	28,921	-	28,921
Cash and cash equivalents at 31 December	14,797	-	14,797

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2020

27 Parent and ultimate controlling party

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

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

The 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 Amersfoort office: Podium 9, 3826 PA Amersfoort, P.O. Box 2767, 3800 GJ Amersfoort, The Netherlands.

28 Post Balance Sheet Events

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 VolkerInfra 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.

The proceeds of the loan were used to reduce the company's overdraft resulting in an improvement to the company's net assets of £17 million.