VolkerStevin Services Limited

Annual Report and Financial Statements

Registered number: 08940855

31 December 2018

VolkerStevin Services Limited
Contents

VolkerStevin Services Limited
Company Information

Directors
R D Coupe
N A Connell
A R Robertson
L Taylor
A R Towse
M G Woods

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

Registered Office
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Trading / Regional Office
The Lancashire Hub
Preston City Park
Bluebell Way
Preston
PR2 5PE

Registered Number
08940855

Principal Bankers

Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

BNP Paribas Fortis
10 Harewood Avenue
London
NW1 6AA

Principal activities

VolkerStevin Services Limited is an international contractor providing complex engineering for the Marine sector.

The Company's principal activities are to carry out civil engineering and construction works in overseas territories in close association with a fellow group undertaking, VolkerStevin Limited.

VolkerStevin Services is affiliated with one of the UK's top maritime civil engineering contractors and undertakes a full range of marine engineering works including jetties, port and harbour infrastructure, marinas, marine piling, quay walls, linkspans, submerged tube tunnels, and floating structures.

Business review and future developments

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

Financial key performance indicators

	2018	2017
	£000	£000
Revenue	1,523	11,808
Gross profit	534	320
Gross profit margin	35.1%	2.7%
Operating result	531	287
Operating result margin	34.9%	2.4%
Net cash	2,148	1,626
Net assets	1,413	973
Secured order book	-	778

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

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

Non-financial key performance indicators

		2018	2017
Health and wellbeing			
Safety	Accident frequency rate (AFR) (Number of RIDDOR reportable accidents per 100,000 hours worked)	0.03	0.13
Natural environment			
Raw material	Waste diverted from landfill (percentage)	94.0	91.0
CO_2 emissions	Carbon dioxide footprint in kilotons (tonnes/million revenue)	36.5	25.4

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

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

Business review and future developments (continued)

In 2018 the Company delivered revenue of £1.5m, being the completion of the Mare Harbour Project (MHP). The Company started the MHP in May 2016 with the design phase being completed in that year. There is only one project being reported and therefore the 2017 and 2018 financial years are not directly comparable. The increase in gross profit margin and operating result is predominantly due to the different work being carried out in the project life cycle and the calculation and settlement of final accounts with the customer and suppliers.

The Mare Harbour Project

The Mare Harbour Project is the design and construction of the roll-on roll-off (Ro-Ro) facility with the Defence Infrastructure Organisation which will serve the naval base at Mare Harbour on the Falkland Islands.

The team completed the main construction activities by March 2018. The client's final takeover of the full facility occurred at the end of December 2018.

The Directors consider the result for the period to be satisfactory, and are confident that the Company will be able to successfully complete its existing contract and win and deliver further profitable contracts.

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

Going concern

Given the Company's net cash position and the lack of fixed cost base, 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 whilst it prepares for its next international project (see note 2.3 for further details).

Corporate responsibility

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

Health and safety

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

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

In 2018 we achieved significant, and our most successful, reductions across the range of safety performance indicators. These results reflect our lowest recorded year end safety results and our best safety performance to date, well below industry averages. Maintaining the mental and physical health of employees is the cornerstone of our occupational health strategy, delivered through a directly employed occupational health team. In addition to health surveillance, we place particular focus on raising awareness and the importance of maintaining good mental health. This includes training for line managers and supervisors on tackling health risks specific to construction while providing any support and guidance required Volunteer Mental Health Champions from site and office teams have been provided with two days of training in how to help their colleagues who may be struggling with stress, anxiety or personal problems, and our monthly programme of targeted wellbeing initiatives continues to go from strength to strength in providing advice on diet, work/life balance and exercise.

Corporate responsibility (continued)

Sustainability

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

Areas of focus:

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

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

- 94% of waste diverted from landfill
- Associate member of Considerate Constructors Scheme (CCS) with average score of 41.27 out of 50 across our projects in 2018
- 4 Considerate Constructors Scheme (CCS) Awards

Integrity

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

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

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

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

Giving back to the community

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

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

Risk management

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

Health, safety and quality

Risk and Impact	*Mitigation*
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.	• Culture, policy and strategy established by effective leadership • Clearly defined management systems, registered to ISO standards • Interfaces and responsibilities that are understood and accepted by all • Board level focus on all Health, Safety, Environmental and Quality (HSEQ) matters • Behavioural programmes and Health and well-being programmes • Corporate governance, Inspection and audit

Pre-construction

Risk and Impact	*Mitigation*
It is our vision to lead the Industry in our approach to project risk management which starts at the pre-construction stage. Failure to identify, estimate and manage accurately the key risks associated with the project deliverables, programme, price including the impact of inflation, and the contractual terms could result in financial losses.	• Systematic review and challenge of the quality of our submissions and pricing • Forum group reviewing current processes and implementing additional/improved systems where required • Focused, risk based approach to tendering • Defined delegated authority levels for approving all tenders • Listening to our clients to meet and exceed their expectations in all areas • Ensuring lessons learnt applied through tender review processes

Engineering and operational delivery

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

Risk management (continued)

Environmental

Risk and Impact

We are very aware that construction has a significant effect on the environment and the communities in which we work. Adverse impacts on the environment and breaches of legislation can lead to environmental harm, reputational damage and enforcement action.

We take our responsibility seriously in respect of limiting the environmental impact of the work we do, and, whilst we consider the impact minimal in the context of our business, this includes any potential impact on climate change.

We assess the environmental aspects of our activities, products and services that we can control and those that it can influence, and their associated impacts, considering a life cycle perspective. VW UK recognises the importance of mitigating our adverse impacts on the environment. An environmental condition that can affect the organisation's activities, products and services can include, for example, climatic temperature change.

Mitigation

- Culture, policy and strategy established by effective leadership
- Board level focus on all environmental matters including monitoring of environmental KPIs such as carbon footprint, energy consumption and waste
- Our integrated management system encompassing procedures for the protection of the natural environment
- Our corporate responsibility framework and the setting of sustainability goals facilitates our responsible attitude towards playing our part in protecting the ecosystems in which we work and wherever possible enhancing the environment in which we work and live
- Maintenance of an environmental management system which assesses environmental conditions which may affect our activities at both fixed offices and our construction projects
- Interfaces and responsibilities that are understood and accepted by all , supported by behavioural programmes, inspection and audit

Systems and processes

Risk and Impact

We are dependent on the quality of our processes, controls and systems as well as the continued availability and integrity of IT systems to record and process data.

Failure to control, manage and invest in our systems and processes including the IT environment will result in us not meeting the future needs of the business in terms of expected growth, security and innovation.

Mitigation

- Continue investing in systems and processes that enable efficient and effective operations
- Clearly defined management systems, interfaces and responsibilities that are understood and accepted by all
- Monitor and control all aspects of IT systems access and performance
- Appropriate contingency plans to mitigate risk of systems loss
- Regular review and testing of data security controls

Adequacy of insurance

Risk and Impact

We maintain appropriate insurance programmes to mitigate against significant losses in line with general industry practice.

Lack of adequate insurance cover could result in potential financial loss or penalties.

Mitigation

- Suitable arrangements exist to underpin and support the operations and services
- Regular review of our position with our broker and insurers to ensure that the optimum cover is in place

Financial risk

Risk and Impact

It is essential to fully understand the financial position of our partners in all of our contractual relationships.

Failure of our partners including financial institutions, customers, joint-venture partners and our supply chain could potentially affect short-term cash flows.

Mitigation

- Due diligence including credit reviews of our clients, supply chain partners and other stakeholders
- Insure credit where appropriate to do so
- Procedures to monitor and forecast cash flow
- Committed credit facilities to ensure we have adequate cash when required

Risk Management (continued)

Fraud

Risk and Impact	*Mitigation*
Our Integrity Policy covers all aspects of ethical behaviour ensuring that all of our employees and supply chain are open and honest, our business ethically and morally strong and each of us is accountable. Damage to the reputation of the business through poor conduct and acts of fraud, bribery, corruption, or anticompetitive behaviour can all adversely impact corporate reputation and financial loss.	• Board Level Compliance Officer • Specific preventative and review controls, reviewed regularly by the Board • Zero tolerance attitude towards fraud and unethical behaviour • Integrity clearly stated as one of our core values • Compulsory training programmes for different levels of the organisation

Political, market and economic risk

Risk and Impact	*Mitigation*
Political, market and economic factors play a significant part in investment decision making for our clients as well as pricing and availability of our supply chain and other partners. 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.	• 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

Risk due to the potential change in the UK's EU status

Risk and Impact	Mitigation
The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets. A no deal Brexit scenario could influence consumer confidence, which in turn could affect and lead to lower sales volumes. Specific risks include: • the potential for increased material costs as a result of exchange rate differences on materials imported; • potential delays to construction programmes from delays in acquiring and receiving materials; • skill deficiencies arising from difficulties in obtaining EU workers within the supply chain. We have reviewed the potential impacts and consider that we have sufficient mitigations in place.	• The UK Board is actively monitoring the potential impact of the UK exiting the EU including the potential for market stimulation by the UK government, freedom of movement of labor, impact on the supply chain and commodity prices and we will adapt our strategy if necessary • The strength of the overall orderbook should enable the mitigation of any short-term uncertainty impacting on tender delays • 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

Supply chain management

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

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

- Pay suppliers on time
  - Within the terms agreed at the outset of the contract
  - Without attempting to change payment terms retrospectively
  - Without changing practice on length of payment for smaller companies on unreasonable grounds

- Give clear guidance to suppliers
  - Providing suppliers with clear and easily accessible guidance on payment procedures
  - Ensuring there is a system for dealing with complaints and disputes which is communicated to suppliers
  - Advising them promptly if there is any reason why an invoice will not be paid to the agreed terms

- Encourage good practice
  •By requesting that lead suppliers encourage adoption of the code throughout their own supply chains

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

By order of the Board

20/8/19

R D Coupe
Director

VolkerStevin Services Limited
Company registered number: 08940855

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

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

Dividends

The Directors do not recommend the payment of a final dividend (2017: £nil). No interim dividend was paid during the year (2017: £nil).

Directors

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

R D Coupe
N A Connell
A R Robertson
L Taylor (appointed 2 July 2018)
A R Towse
M G Woods

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.

Political and charitable contributions

The Company did not knowledgeably make any political or charitable donations or incur any political expenditure during the year (2017: £nil).

Other disclosures

Disclosures in respect of the future developments of the Company and going concern are given in the Strategic Report. Information on financial instruments, financial risk management and exposure is given in note 14 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 indicated their willingness to be reappointed for another term and arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

By order of the Board

20/8/19

R D Coupe
Director

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerStevin Services Limited
Company registered number: 08940855

Directors' Responsibilities Statement
for the year ended 31 December 2018

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

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

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

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

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

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

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 19.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Makhan Chahal

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

20 August 2019

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

	Note	2018 £000	2017 £000
Revenue	*3*	**1,523**	11,808
Cost of sales		**(989)**	(11,488)
Gross profit		**534**	320
Administrative expenses		**(3)**	(33)
Operating result	*4*	**531**	287
Financial income	*7*	**2**	60
Profit before tax		**533**	347
Taxation	*8*	**(93)**	51
Profit for the year		**440**	398

All results derive from continuing operations.
The notes on pages 18 to 39 form an integral part of the financial statements.

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

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

	Note	2018 £000	2017 £000
Profit for the year		**440**	398
Total comprehensive income for the year		**440**	398

The notes on pages 18 to 39 form an integral part of the financial statements.

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

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

	Note	2018	2017
		£000	£000
Current assets			
Trade and other receivables	9	946	2,939
Contract assets	3	-	-
Cash and cash equivalents	10	2,148	1,626
Total assets		3,094	4,565
Equity			
Share capital	12	-	-
Retained earnings		1,413	973
Total equity		1,413	973
Current liabilities			
Trade and other payables	11	1,595	3,538
Contract liabilities	3	-	-
Tax payable		86	54
Total liabilities		1,681	3,592
Total equity and liabilities		3,094	4,565

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

20/8/19

R D Coupe
Director
Company registered number: 08940855

The notes on pages 18 to 39 form an integral part of the financial statements.

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

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

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	-	575	575
Comprehensive income			
Profit for the year	-	398	398
Total comprehensive income	-	398	398
Balance at 31 December 2017	-	**973**	**973**
Balance at 1 January 2018	-	**973**	**973**
Comprehensive income			
Profit for the year	-	440	440
Total comprehensive income	-	440	440
Balance at 31 December 2018	-	**1,413**	**1,413**

The notes on pages 18 to 39 form an integral part of the financial statements.

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

VolkerStevin Services Limited
Cash Flow Statement
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flow relating to operating activities	*15*	**492**	1,507
Tax received		**28**	59
Net cash from operating activities		**520**	1,566
Cash flows relating to investing activities			
Interest received		**2**	60
Net cash from investing activities		**2**	60
Net increase in cash and cash equivalents		**522**	1,626
Cash and cash equivalents at 1 January		**1,626**	-
Cash and cash equivalents at 31 December	*10*	**2,148**	1,626

The notes on pages 18 to 39 form an integral part of the financial statements.

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

1 General information

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

2 Accounting policies

2.1 Basis of preparation

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

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

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 2.15.

2.2 Measurement convention

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

2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of the Strategic Report on pages 2 to 8. In addition, note 14 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk, market risk and liquidity risk.

The Company meets its day-to-day working capital requirements through the group treasury management provided by VolkerWessels UK Limited. See note 14 (c).

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

2.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency (Pounds Sterling) at the foreign exchange rate ruling at the date of the transaction, unless the transaction has been hedged, in which case the transaction is translated at the contracted foreign exchange rate. Monetary assets and liabilities denominated in foreign currencies at the year-end are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

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

Under IAS 11 (applicable before 1 January 2018) construction contract debtors (contract assets) and amounts due to customers for contract work (contract liabilities) were included in trade receivables and trade payables respectively. See note 2.15.

2 Accounting policies (continued)

2.6 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.

2.7 Financial Instruments

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

a. They include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b. Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

2 Accounting policies (continued)

2.8 Non-derivative financial instruments

Non-derivative financial instruments comprise 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.

2.9 Impairment of financial instruments

The Company assesses lifetime 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.

2.10 Financing income and expenses

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

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

2 Accounting policies (continued)

2.11 Taxation

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

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

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

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

2.12 Revenue

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

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

Performance obligations satisfied over time

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

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

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

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

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

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

2 Accounting policies (continued)

2.12 Revenue (continued)

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 19(a).

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

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

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

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

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

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

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

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

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

2.13 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 Accounting policies (continued)

2.14 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.

2.15 Changes in significant accounting policies

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

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

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

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

Impact of the adoption of IFRS 9 and IFRS 15

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

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

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

IFRS 15 - Revenue from Contracts with Customers

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

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

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

Re-allocation of transaction price

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

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

2 Accounting policies (continued)

2.15 Changes in significant accounting policies (continued)

Progress measurement

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

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

Tender and bid costs may no longer be capitalised where they are incurred prior to reaching preferred bidder status. No tender and bid costs have been capitalised and included in trade and other receivables at 1 January 2018, and therefore there is no adjustment to opening retained earnings. During the year ended 31 December 2018 the company did not expense any tender or bid costs that would have been capitalised according to the Company's previous revenue policy under IAS 11.

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

Variable consideration

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

Significant financing costs/revenue

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

Consistent method of measuring progress

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

Contract assets/liabilities

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

Transition

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

2 Accounting policies (continued)

2.15 Changes in significant accounting policies (continued)

IFRS 9 - Financial Instruments

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

Classification - Financial Assets

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

The Company does not regularly categorise loans and receivables as held to maturity or available for sale and there were none so classified at 31 December 2017, nor were there any embedded derivatives. Therefore the only change due to the classification requirements of IFRS 9 is the renaming of loans and receivables in the financial instruments note (note 14) to financial assets at amortised cost.

Impairment - Financial Assets and Contract Assets

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

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

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

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

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

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

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

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

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

Hedge Accounting

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

Transition

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

2 Accounting policies (continued)

2.15 Changes in significant accounting policies (continued)

IFRS 16 - Leases

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

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

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

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

Leases in which the Company is a lessee

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

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

Financial impact

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

3 Revenue

a) Disaggregation of revenue from contracts with customers:

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

	2018	2017
	£000	£000
Construction contract revenues	**1,523**	11,808
Total revenues	**1,523**	11,808

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

3 Revenue (continued)

b) Contract balances

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

	31 December 2018	1 January 2018
	£000	£000
Contract assets	-	1,230
Contract liabilities	-	-

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

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

The contract liabilities primarily arise where payment received or due exceeds revenue recognised to date under the applicable revenue recognition policy.

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

Revenue recognised during the year on performance obligations satisfied in the current year was £1,523k for contract assets. No revenue was recognised in 2018 from performance obligations satisfied in previous periods. There is no cash received or due for performance obligations not yet satisfied at 31 December 2018. Amounts of £2,753k have been transferred to trade receivables in the year.

Transaction price allocated to the remaining performance obligations

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

Assets recognised from costs to fulfil a contract

The Company has not recognised any assets from costs to fulfil a contract.

3 Revenue (continued)

c) Accounting policies and significant judgements

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

Construction contracts

The Company's principal activities are to carry out civil engineering and construction works in overseas territories in close association with a fellow group undertaking, VolkerStevin Limited. The contract term depends on the nature and complexity of the project and the Company's role on the project.

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

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

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

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

4 Operating profit

Operating profit is stated after charging:

	2018	2017
	£000	£000
Operating lease charges		
- other	**-**	26
Auditor's remuneration		
- audit of these financial statements	**10**	9

5 Staff numbers and costs

The Company did not employ any staff during this or the previous year. All staff costs are recharged through management expenses from other group companies and allocated to relevant contracts and administrative expenses.

6 Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	28	-
Company contributions to money purchase pension plans	2	-
	30	-

The emoluments of the highest paid Director were £25k (2017: £nil) and company pension contributions of £2k (2017: £nil) were made to a money purchase scheme on his behalf. Only 3 Directors are remunerated through the Company (2017: nil). The other Directors are remunerated through other Group companies.

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

7 Financial income

	2018 £000	2017 £000
Net foreign exchange gains	2	60
Total financial income	2	60

8 Taxation

a) Analysis of the tax recognised in the income statement

	2018	2017
	£000	£000
Current tax expense/(credit)		
UK corporation tax:		
Current year	81	31
Adjustments for prior periods	8	(105)
	89	(74)
Foreign tax	4	23
Current tax expense/(credit)	93	(51)
Total tax expense/(credit)	93	(51)

b) Reconciliation of effective tax rate

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

	2018	2017
	£000	£000
Profit for the year	440	398
Total tax expense/(credit)	93	(51)
Profit excluding taxation	533	347
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	101	67
Higher rate of tax on profits taxed overseas	1	6
R&D expenditure credit[1]	(17)	(19)
Adjustments for prior periods	8	(105)
Total tax expense/(credit)	93	(51)

[1]The credit adjustment in the reconciliation in respect of R&D tax relief has been offset by an equal but opposite prior year adjustment and, as a result, it does not impact the overall tax charge

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

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

9 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	-	894
Amounts due from construction contract customers	-	1,230
Amounts owed by group undertakings (note 17)	946	-
Other receivables	-	815
	946	2,939
Current	946	2,939
Non current	-	-
	946	2,939

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

At 31 December 2018, aggregated costs incurred under open service and construction contracts and recognised profits, net of recognised losses, amounted to £nil (2017: £10,449k).

Trade receivables included £nil (2017: £894k) of retentions relating to construction contracts in progress.

Due to the requirements of IFRS 15, construction contract debtors and pre-contract costs are now reported as part of contract assets, see note 2 and note 3 for further details.

10 Cash and cash equivalents

	2018 £000	2017 £000
Cash and cash equivalents	2,148	1,626
	2,148	1,626

11 Trade and other payables

	2018 £000	2017 £000
Trade payables	**282**	1,132
Non trade payables and accrued expenses	**80**	23
Amounts due to group undertakings (note 17)	**1,233**	2,383
	1,595	3,538
Current	**1,595**	3,538
	1,595	3,538

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

Included within Trade payables are contract accruals of £248k (2017: £2,283k) which comprises of amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

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

12 Share capital

	Number of shares	Ordinary shares £
Authorised, allotted, called up and fully paid ordinary shares of £1		
At 1 January and 31 December 2017	1	1
At 1 January and 31 December 2018	**1**	**1**

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

13 Dividends

The Directors do not recommend the payment of a final dividend (2017: £nil). No interim dividend was paid during the year (2017: £nil).

14 Financial instruments

a) Fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest bearing loans and borrowings

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

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

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

	Note	2018 £000	2017 £000
Financial assets at amortised cost			
Trade and other receivables	*9*	**946**	2,124
Total financial assets at amortised cost		**946**	2,124
Financial assets at fair value			
Cash and cash equivalents	*10*	**2,148**	1,626
Total financial assets		**3,094**	3,750
Trade and other payables	*11*	**1,515**	3,515
Total financial liabilities at amortised cost		**1,515**	3,515
Total financial instruments		**1,579**	235

Trade and other receivables above exclude other receivables.

14 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 2.9) and IFRS 9 - accounting policy changes (note 2.15).

Exposure to credit risk

The carrying amount of financial instruments at amortised cost represents the maximum credit exposure which was £3,094k at 31 December 2018 (2017: £3,750k).

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

	2018	2017
	£000	£000
Civil Engineering	-	894
Private sector customers	-	894

14 Financial instruments (continued)

b) Credit risk (continued)

Credit quality of financial assets and impairment losses

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

	2018 Gross £000	2018 Impairment £000	2017 Gross £000	2017 Impairment £000
Not past due	-	-	894	-
	-	-	894	-

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

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

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

c) Liquidity risk

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

Contractual maturity of financial liabilities

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

	Carrying amount £000	Contractual cash flows £000	1 year or less £000
2018			
Trade and other payables	**1,515**	**1,515**	**1,515**
	1,515	**1,515**	**1,515**
2017			
Trade and other payables	3,515	3,515	3,515
	3,515	3,515	3,515

14 Financial instruments (continued)

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.

e) Capital risk management

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

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

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

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

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

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

15 Cash flows from operating activities

	2018 £000	2017 £000
Profit for the year	440	398
Adjustments for:		
Financial income	(2)	(60)
Taxation	93	(51)
R & D expenditure credit	(89)	(98)
	442	189
Decrease in contract assets and trade and other receivables	1,992	3,130
Decrease in contract liabilities and trade and other payables	(1,942)	(1,812)
	492	1,507

16 Contingencies

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

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

17 Related parties

Related party transactions

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

Compensation of key management

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

	2018 £000	2017 £000
Short-term employee benefits	28	-
Post-employment benefits (defined contribution plan)	2	-
	30	-

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

Related party transactions with fellow group undertakings

Related party transactions with fellow group undertakings are summarised below:

Amounts owed by undertakings	Parent undertaking	Fellow subsidiary undertakings	Total
2018	£000	£000	£000
At start of year	-	-	-
Receipts	-	946	946
At end of year	-	946	946

Amounts owed by undertakings	Parent undertaking	Fellow subsidiary undertakings	Total
2017	£000	£000	£000
At start of year	-	-	-
Sales/Income	-	-	-
Receipts	-	-	-
At end of year	-	-	-

Amounts owed to undertakings	Parent undertaking	Fellow subsidiary undertakings	Total
2018	£000	£000	£000
At start of year	-	2,383	2,383
Expenses	-	1,487	1,487
Payment	-	(2,637)	(2,637)
At end of year	-	1,233	1,233

17 Related parties (continued)

Related party transactions with fellow group undertakings (continued)

Amounts owed to undertakings	Parent undertaking	Fellow subsidiary undertakings	Total
2017	£000	£000	£000
At start of year	-	677	677
Expenses	-	11,311	11,311
Payment	-	(9,605)	(9,605)
At end of year	-	2,383	2,383

Terms and conditions of transactions with related parties

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

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

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

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

The results of the Company are included in the consolidated financial statements of its ultimate parent company Koninklijke VolkerWessels N.V. (previously known as Storm Investments 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.

19 Accounting estimates and judgements

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

Critical Judgements in Applying the Company's Accounting Policies

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

Categorisation of contracts

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

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

19 Accounting estimates and judgements (continued)

Key Sources of Estimation Uncertainty

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

(a) Revenue recognition

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

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

(b) Variable consideration

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