P J DAVIDSON (UK) LTD

P J Davidson (UK) Limited

Registered number: 11526666

Annual Report and Financial Statements

for the year ended 31 December 2021

P J Davidson (UK) Limited
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P J Davidson (UK) Limited
Company Information

Directors
RA Offord (Managing Director)
NA Connell
AR Robertson
DJ Griffin
MG Woods

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

Registered Office
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Registered Number
11526666

Principal Bankers
Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

P J Davidson (UK) Limited
Strategic Report
for the year ended 31 December 2021

Principal activities

The principal activity of P J Davidson (UK) Limited ("P J Davidson") is the installation of slipform concrete structures including vehicle safety barriers and drainage channels on motorways and major trunk roads, reinforced concrete pavements for highways and airfields, and railway track beds, access walkways and inverts for tunnels.

Davidson's Concrete Barrier ("DCB®") is the Company's exclusively developed, CE marked highway barrier. It offers the benefits of a reduced cross-sectional area compared to conventional concrete barrier, as well as the flexibility to adapt the design to suit specific project conditions. With three owned Concrete Batching Plants, the Company also has the ability to self-deliver on a 24/7 basis, completing even large and complex projects efficiently and to a very high specification.

Business review

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

Financial key performance indicators

	2021	2020
	£000	£000
Revenue	**23,274**	22,079
Gross profit	**3,921**	3,289
Gross profit margin	**16.8%**	14.9%
Operating result (before amortisation)[1]	**3,003**	2,162
Operating result margin (before amortisation)	**12.9%**	9.8%
Cash and cash equivalents	**5,375**	2,422
Net assets	**9,281**	7,619
Forward Secured order book[2]	**4,424**	7,456

Non-financial key performance indicators

		2021	2020
Health and wellbeing			
Safety	Accident frequency rate (AFR)[4]	**nil**	0.46
Natural environment			
CO_2 emissions (scope 1 & 2)[3]	Carbon dioxide footprint in kilotons (tonnes/million revenue)	**1.3**	4.9

Footnotes

[1] Operating result (before amortisation) is equal to the profit for the year before interest, tax and amortisation.

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

[3] The data contained in the table above is 'non-normalised'; this means that we are reporting the total emissions within the reporting period. Normalised data reflects a like-for-like comparison on the data and emission sources between 2020 and 2021.

[4]The RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. Accident Frequency Rate (AFR) = (number of RIDDOR reportable injuries + total work hours) x 100,000..

Context

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

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

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

Business review (continued)

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

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

Summary

The Directors are pleased to report a strong set of results for the Company for the year, which have been achieved in spite of the ongoing challenges and uncertainty arising from the COVID-19 pandemic.

Revenues of £23.3m were achieved in the year, a 5% increase over the prior year, which has been generated from a range of projects around the transport sectors. In our core highways market we continued our works on the M4 J3-12 Smart Motorway Project, delivering paving barrier and linear drainage outputs, which are now almost complete for the Balfour Beatty Vinci joint venture. Other highways schemes have included the A13 widening project at Orsett Cock.

We have also continued to expand our business into Pavement Quality Concrete through works at RAF Lakenheath, Hangar aprons at Oxford Airport and Biggin Hill, and also commenced on a contract at the Port of Harwich. The project to pave the roads and laydown areas at the main compound for the Align JV on HS2 has continued throughout the year. The Company has also undertaken some concrete supply works to VolkerFitzpatrick using our owned specialist batching equipment in the year.

Our gross profit for the year was £3.9m (16.8%), an improvement of £0.6m on 2020. After overheads and depreciation, the company reports an operating result (before amortisation) of £3.0m (12.9%).

As a result of the requirement to recognise intangible assets on acquisition, and subsequently amortise them through the income statement, the reported performance of the business has been reduced by £0.7m (2020: £0.8m) in the year at operating result and profit before tax levels. The business has also incurred an interest charge in the income statement in respect of the unwinding of the discounting of the deferred elements of the acquisition consideration, which has impacted profit before tax. The Directors do not consider either of these charges to be relevant in assessing the underlying performance of the business.

In addition to the strong operating result (before amortisation) performance for the year, the Company is also able to report a strong net asset position of £9.3m at 31 December 2021 (2020: £7.6m).

The Company's net cash/(debt) position is inclusive of the £5.0m remaining borrowings associated with the acquisition of the Business. The Company achieved a net cash position at 31 December 2021 for the first time since acquisition of £0.4m (2020: net debt position of £2.6m).

In terms of non-financial performance indicators, we are pleased to be able to report a solid performance for the year across "safety" as shown in the above table. In particular, our Accident Frequency Rate which at nil (2020: nil) is above the construction industry's average, represents approximately 238,000 man hours with no RIDDOR reportable accidents. For further discussion of non-financial performance indicators in our business please see the Corporate Responsibility section of this report.

During the year, the Company has also continued to invest in the development of its DCB® highways barrier range in order to be able to offer a complete 'one-stop' solution. This will enable seamless integration of the barrier with all common elements of carriageway infrastructure.

Secured order book and future outlook

The Company has in place a strong pipeline of quality work with the secured order book at year end at £4.4 million.

We take a cautious approach to our order book recognition by only including signed contracts and, for framework contracts, only including work packages agreed with our clients. We continue to focus on profit rather than volume and aim to maintain our unique reputation for quality, sustainability and innovation.

Major contract wins during 2021 include Pavement Quality Concrete works at RAF Lakenheath, Oxford Airport and Harwich port.

Our pipeline of future opportunities is strong, primarily focussed on delivering major works packages to Tier 1 contractors on public funded road schemes and public funded tunnelling schemes. These schemes offer us the greatest potential to leverage our specialist knowledge, bespoke product portfolio and 'in house' plant capability to deliver high quality infrastructure to the end users in an efficient and cost-effective way.

We remain focused on growing the business through improving operational efficiencies and investing in new technology to support our operations. There is particular focus on innovation and digital strategy in our business, where we can see potential benefits to all of our stakeholders from 'doing things differently'.

With the public sector committed to making significant investment in the UK's Strategic Road Network in the coming years through the Highways England Road Investment Strategy programmes we believe the business is well positioned for profitable and sustainable growth in our key market sector.

Secured order book and future outlook (continued)

Beyond the Highways market, we see significant opportunity to deploy our proven capability in respect of tunnelling schemes, for example on HS2. We are the only UK business to have significant recent experience of delivering slip-formed concrete walkways and inverts in tunnels through our work on the Crossrail project, and are keen to build upon this success and secure further works in this market.

Going Concern

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

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

Risk Management

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

Health, safety and quality

Risk and Impact

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

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

Mitigation

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

People, culture and values

Risk and Impact

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

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

Mitigation

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

Pre-construction

Risk and Impact

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

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

Mitigation

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

Engineering and operational delivery

Risk and Impact

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

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

Mitigation

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

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. The Company recognises the importance of mitigating our adverse impacts on the environment. An environmental condition that can affect the organisation's activities, products and services can include, for example, climatic temperature change.

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 sustainability strategy based on the key themes of people - planet - purpose sets out our approach. This is underpinned by our corporate responsibility framework and sustainability goals, facilitating our responsible attitude towards playing our part in protecting the ecosystems in which we work and wherever possible enhancing the environment in which we work and live.
- Maintenance of an environmental management system which assesses environmental conditions which may affect our activities at both fixed offices and our construction projects.
- Interfaces and responsibilities that are understood and accepted by all, supported by behavioural programmes, inspection and audit.
- As part of our ongoing carbon reduction strategy we are currently reviewing our carbon reduction targets, including the date for when we intended to be net-zero.

Systems and processes

Risk and Impact

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

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

IT system failure arising from new system integration and/or implementation could result in lack of access to critical data.

An attack on our systems and/or networks, to expose, alter, disable, destroy, steal or gain unauthorised access to or make unauthorised use of an asset could result in lack of access to critical data, operational disruption, adverse media coverage and loss of trust, fines/regulatory sanctions and third-party liability/class actions.

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.
- New systems are only deployed after full testing.
- Regular review and testing of data security controls.
- Established cyber programme with robust security arrangements and active monitoring.
- Ensure any adopted joint venture partner's systems are fit for purpose and conform with the above.

Adequacy of insurance

Risk and Impact

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, partners, supply chain and other stakeholders.
- Insure credit where appropriate to do so.
- Procedures to monitor and forecast cash flow.
- Committed credit facilities to ensure we have adequate cash when required.

Risk management (continued)

Fraud

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

Political, market and economic risk

Risk and Impact	*Mitigation*
Political, market and economic factors play a significant part in investment decision making for our clients as well as pricing and availability of our supply chain and other partners. Failure to recover cost price increase from clients could impact the profitability and cash flow of the business. Changes in the economic environment, government policy and regulatory developments may impact on the number of new projects in the market, and the cost of delivering those projects, which in turn may impact on the profitability and cash flow of the business. The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and has contributed to an increase in the cost and scarcity of materials and labour.	• Regular reviews to ensure that we are not overly exposed to any one aspect of market risk and appropriately responding to changes in legislation and policy. • Actively engage with our supply chain and clients to ensure that price increases reflect market movements and form part of ongoing contract negotiations. • Actively engage with our industry peers, financial partners, clients and supply chain to ensure that we are aware of, and anticipating, changes in our market and the economy. • The UK Board is actively monitoring theongoing impact of the UK exiting the EU including any market stimulation by the UK government, freedom of movement of labour, impact on the supply chain and commodity prices and we will adapt our strategy as necessary

Ability to continue to operate during a pandemic

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

Security/terrorist threat

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

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

P J Davidson (UK) Limited
Directors' Report
for the year ended 31 December 2021

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

Results and dividends

The profit for the financial year after taxation was £1.7m (2020: £0.9m). The Directors do not recommend the payment of a final dividend (2020: £nil). No interim dividends were paid during the year (2020: £nil).

Directors

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

RA Offord
NA Connell
DJ Griffin
MG Woods
AR Robertson
CS Humphrey (Resigned 15 November 2021)

Directors' indemnities

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

Employees

The Company is committed to creating a diverse and inclusive environment for all those we work with; our dedicated and ambitious people, our supply chain and partners, and our clients and local stakeholders.

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

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

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

Political and charitable contributions

The Company did not make any charitable donations during the year (2020: £1k). The Company did not make any political donations or incur any political expenditure during the year (2020: £nil).

Other disclosures

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

Disclosure of information to auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

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

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

RA Offord
Director
16 May 2022
P J Davidson (UK) Limited
Company registered number: 11526666

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

Independent Auditor's Report to the Members of P J Davidson (UK) Limited for the year ended 31 December 2021

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of P J Davidson (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; 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 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

16 May 2022

P J Davidson (UK) Limited
Income Statement
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	4	**23,274**	22,079
Cost of sales		**(19,353)**	(18,790)
Gross profit		**3,921**	3,289
Administrative expenses		**(1,492)**	(1,926)
Other operating income		**89**	6
Other operating expense		**(222)**	(8)
Operating profit/(loss)		**2,296**	1,361
Financial expense	8	**(170)**	(266)
Profit before tax	5	**2,126**	1,095
Income tax	9	**(464)**	(233)
Profit for the year		**1,662**	862

All results derive from continuing operations.

The notes on pages 18 to 38 form an integral part of the financial statements.

P J Davidson (UK) Limited
Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	**2021 £000**	2020 £000
Profit for the year		**1,662**	862
Total comprehensive income for the year		**1,662**	862

The notes on pages 18 to 38 form an integral part of the financial statements.

P J Davidson (UK) Limited
Statement of Financial Position
as at 31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	10	**2,431**	2,840
Right-of-use assets	11	**101**	390
Intangible assets	12	**6,598**	7,306
Deferred tax assets	13	**326**	281
		9,456	10,817
Current assets			
Trade and other receivables	14	**2,681**	2,848
Contract assets	4	**2,711**	2,138
Cash and cash equivalents		**5,375**	2,422
		10,767	7,408
Total assets		**20,223**	18,225
Equity			
Share capital	17	**6,000**	6,000
Retained earnings		**3,281**	1,619
Total equity		**9,281**	7,619
Non-current liabilities			
Lease liabilities	20	**45**	83
Trade and other payables	15	**-**	505
Deferred tax liabilities	13	**432**	292
		477	880
Current liabilities			
Intercompany borrowings	22	**5,000**	5,000
Lease liabilities	20	**59**	131
Trade and other payables	15	**4,448**	4,391
Contract liabilities	4	**417**	-
Tax payable		**541**	204
		10,465	9,726
Total liabilities		**10,942**	10,606
Total equity and liabilities		**20,223**	18,225

These financial statements were approved by the Board of Directors on 16 May 2022 and were signed on its behalf by:

RA Offord
Director
Company registered number: 11526666

The notes on pages 18 to 38 form an integral part of the financial statements.

P J Davidson (UK) Limited
Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	6,000	757	6,757
Comprehensive income			
Profit for the year	-	862	862
Total comprehensive income	-	862	862
Balance at 31 December 2020	6,000	1,619	7,619
Balance at 1 January 2021	6,000	1,619	**7,619**
Comprehensive income			
Profit for the year	-	1,662	**1,662**
Total comprehensive income	-	1,662	**1,662**
Balance at 31 December 2021	**6,000**	**3,281**	**9,281**

The notes on pages 18 to 38 form an integral part of the financial statements.

P J Davidson (UK) Limited
Cash Flow Statement
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows relating to operating activities			
Profit for the year		**1,662**	862
Adjustments for:			
Depreciation of property, plant and equipment	*5*	**787**	811
Depreciation of right-of-use assets	*5*	**92**	97
Amortisation of intangible assets	*5*	**708**	801
Financial expense	*8*	**170**	266
(Gain)/loss on sale of property, plant and equipment		**(57)**	14
Income tax	*9*	**464**	233
R&D expense tax credit		**(32)**	-
Adjustment to fair value of deferred consideration		**190**	(77)
Operating cash flows before movements in working capital		**3,984**	3,007
Decrease/(increase) in trade and other receivables		**167**	(2,588)
(Increase)/decrease in contract assets		**(573)**	397
Increase in trade and other payables		**93**	709
Increase in contract liabilities		**417**	-
Cash from operating activities		**4,088**	1,525
Interest paid		**(86)**	(100)
Tax paid		**-**	(40)
Net cash from operating activities		**4,002**	1,385
Cash flows relating to investing activities			
Proceeds from sale of plant, property and equipment		**140**	166
Acquisition of plant, property and equipment	*10*	**(239)**	(582)
Payment of deferred consideration	*23*	**(807)**	(738)
Net cash used in investing activities		**(906)**	(1,154)
Cash flows relating to financing activities			
Repayment of lease liabilities	*20*	**(142)**	(166)
Interest paid	*20*	**(1)**	(8)
Net cash used in financing activities		**(143)**	(174)
Net increase in cash and cash equivalents		**2,953**	57
Cash and cash equivalents at 1 January		**2,422**	2,365
Cash and cash equivalents at 31 December		**5,375**	2,422

The notes on pages 18 to 38 form an integral part of the financial statements.

1 General information

The Company is incorporated under the Companies Act 2006 and domiciled in the UK. The Company is a private company limited by shares and is registered in England and Wales. The principal activities of the Company are included on page 2. The address of the Company's registered office is shown on page 1.

2 Accounting policies

2.1 Basis of preparation

These financial statements have been prepared and approved by the Directors in accordance with United Kingdom adopted international accounting standards.

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

Changes to significant accounting policies are described in note 2.20.

2.2 Measurement convention

The financial statements are prepared on the historical cost basis.

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 3. In addition, note 19 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk, market risk and liquidity risk.

The Company meets its day-to-day working capital requirements through a centrally maintained group facility with VolkerWessels UK Limited (the "Group") for a minimum of 12 months from the signing of these financial statements. The Company is expected to continue to be in a position to obtain finance from the Group when required to operate for the foreseeable future. In completing this analysis the Directors of the Company have considered the commitment and ability of the Group to continue provide such finance. See note 19 (c).

Management has produced forecasts that have also been sensitised to reflect a plausible downside scenario as a result of the COVID-19 pandemic and its impact on the UK economy, which have been reviewed by the Directors. Sensitivities are run to reflect different scenarios including, but not limited to, volume reductions and margin erosion. This was undertaken to identify risks to liquidity and enable management to formulate appropriate and timely mitigation strategies. These demonstrate the Company is forecast to generate profits and cash in the years ending 31 December 2022 and 31 December 2023, and that the Company has sufficient cash reserves and facilities to enable the Company to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

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

2.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

2.5 Property, plant and equipment

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

Plant, machinery and vehicles:	1-10 years

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

2.6 Right-of-use assets

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

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

2 Accounting policies (continued)

2.7 Intangible assets and goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. *Other intangible assets held in the course of construction are not amortised until the assets are available for use and are tested annually for* impairment and carried at cost less accumulated impairment losses.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Open Contracts:	In line with terms of open contracts
Customer relationships:	2-10 years
Contractual licences:	4 years

2.8 Leases

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

2.9 Employee benefits

Defined contribution plans

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

2.10 Contract assets and contract liabilities

Contract assets represent the Group'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 Group's future performance).

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

2.11 Impairment excluding deferred tax assets

The carrying amounts of the Company's assets are reviewed at each year-end to determine whether there is any indication of impairment; a financial asset is considered to be impaired if objective evidence exists that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

2.12 Financial Instruments

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

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

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

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

2.13 Derivative financial instruments

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

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

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

2 Accounting policies (continued)

2.14 Non-derivative financial instruments

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

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

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

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

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

Cash and cash equivalents comprise cash balances and call deposits.

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

2.15 Impairment of financial instruments

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

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

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

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

2.16 Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses and unwinding of discounting on long term liabilities, that are recognised in the income statement. Financing income comprises interest receivable on funds invested, dividend income and net foreign exchange gains.

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

2.17 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 Accounting policies (continued)

2.18 Revenue

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

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

Performance obligations satisfied over time

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

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

The Company's construction contracts are typically satisfied over time as the Company's performance creates or enhances an asset that the customer controls.

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

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

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

Performance obligations satisfied at a point in time

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

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

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

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

Construction Contracts

The Company's construction contracts have varying durations depending on the nature and complexity of the project. Under the terms of these contract the company's performance creates or enhances an asset that the customer controls and has an enforceable right to payment for the work performed.

Revenue is therefore recognised over time for these construction contracts 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 Company 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.

2 Accounting policies (continued)

2.18 Revenue (continued)

Plant hire revenues

Plant hire revenues primarily relate to the short-term hire of specialist plant and equipment. Revenue is based on schedules of rates for each item of plant. The contracts are predominantly of short duration and revenue is recognised using an output method as the hire period is completed or on a monthly basis depending on the contract. The Company is entitled to invoice the customer in advance of the hire period on a monthly basis. Where the hire is completed or partially completed but the customer has not been invoiced the Company recognises a contract asset equal to the expected revenue receivable under the contract.

See the Revenue note (note 4) which discusses inputs for variable consideration and Accounting estimates and judgements (note 3) which includes assumptions for revenue recognition including variable consideration.

2.19 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.

2.20 Changes in significant accounting policies

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

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

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

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

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

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

3 Accounting estimates and judgements

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

Critical Judgements in Applying the Company's Accounting Policies

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

Categorisation of contracts

The categorisation of contracts in whole or part as construction contracts is based on the nature of the works provided under the contract with regard to IFRS 15.

3 Accounting estimates and judgements (continued)

Key Sources of Estimation Uncertainty

Long term construction contracts

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:

Revenue recognition

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

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

Goodwill impairment

The Company tests annually whether goodwill is impaired in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows and the selection of suitable discount rates.

Contingent consideration

The amounts recognised for contingent consideration in relation to the acquisition of trade and assets of the former P J Davidson (UK) Limited, now named P J Davidson Developments Limited, are the Directors' best estimates of the actual amounts which will be payable based on the forecast performance of the business. Note 23 provides details of contingent considerations arising from business combinations.

Fair value of assets acquired in a business combination

Judgements and estimates are required in assessment of fair value of the consideration and net assets acquired, including the identification and valuation of intangible assets.

4 Revenue

a) Disaggregation of revenue from contracts with customers:

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

	2021	2020
	£000	£000
Construction contract revenues	**22,558**	21,345
Plant hire	**716**	734
Total revenues	**23,274**	22,079

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

	2021	**2020**
	£000	**£000**
Highways and airports infrastructure	**23,274**	**22,079**
Total revenues	**23,274**	**22,079**

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

4 Revenue (continued)

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

Construction contract revenues

The Company operates primarily on highways, airport infrastructure and tunnel projects, delivering slipform concrete safety barriers, slot drain and drainage channel, and slipform concrete pavements, tunnel inverts and tunnel walkways. Revenue is recognised over time using an input method to calculate percentage completion relative to the estimated total contract costs or in the case of some cost-plus contracts revenue is calculated based on cost plus an agreed margin.

Contract lengths vary according to the nature, size and complexity of the contract and can range from a few months for small scale construction works to multiple years for large scale complex construction works.

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

Plant hire

Plant hire revenues primarily relate to the short-term hire of specialist plant and equipment. Revenue is based on schedules of rates for each item of plant. The contracts are predominantly of short duration and revenue is recognised using an output method as the hire period is completed or on a monthly basis depending on the contract.

Invoices are invoiced monthly in advance and normal commercial payment terms apply.

Please refer to Note 2.18 Revenue (accounting policies) for further details.

c) Contract balances

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

	2021 £000	2020 £000
Contract assets	**2,711**	2,138
Contract liabilities	**417**	-

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

Contract Assets	**2021** **£000**	2020 £000
As at 1 January	**2,138**	**2,536**
Transfers from contract assets recognised at the beginning of the year to receivables	**(1,738)**	**(2,536)**
Increase related to services provided in the year	**2,311**	**2,138**
As at 31 December	**2,711**	**2,138**

Contract Liabilities	**2021** **£000**	2020 £000
As at 1 January	-	-
Increase due to cash received, excluding amounts recognised as revenue during the year	**417**	-
As at 31 December	**417**	-

The amount of revenue recognised in 2021 from performance obligations satisfied in previous periods is £nil (2020: £nil).

d) Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to performance obligations within contracts with customers that are partially or fully unsatisfied as at 31 December 2021 is £4,424k (2020: £7,456k).

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during the 2022 financial year (£4,424k).

e) Assets recognised from costs to fulfil a contract

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

5 Profit before tax

Profit before tax is stated after charging:

	2021 £000	2020 £000
Depreciation of property, plant and equipment		
- owned assets	**787**	811
- right-of-use assets under IFRS 16	**92**	97
Amortisation of intangible assets charged to administrative expenses	**708**	801
Gain/(loss) on disposal of property, plant and equipment	**(58)**	15
Adjustment to fair value of deferred consideration	**190**	(77)
Auditor's remuneration		
- audit of these financial statements	**35**	30

6 Staff numbers and costs

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

	2021 No	2020 No
Management & administrative	**1**	1
Operational	**15**	12
	16	13

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	**1,317**	974
Social security costs	**159**	124
Contributions to defined contribution plans	**19**	15
	1,495	1,113

7 Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	**115**	115
Company contributions to money purchase pension plans	**3**	2
	118	117

All directors are remunerated through other companies within the VolkerWessels UK Group.

8 Financial expense

	2021 £000	2020 £000
Interest on lease liabilities under IFRS 16	**3**	8
Amounts payable to group undertakings	**86**	102
Unwinding of discounting on long term liabilities	**76**	156
Net foreign exchange losses	**5**	-
Total financial expense	**170**	266

9 Income tax

a) Analysis of the tax recognised in the income statement

	2021 £000	2020 £000
Current tax expense		
UK corporation tax:		
Current year	**363**	204
Adjustments for prior periods	**6**	16
Current tax expense	**369**	220
Deferred tax expense (see note 13)		
Origination and reversal of temporary differences	**56**	29
Change in tax rate	**25**	(2)
Adjustments for prior periods	**14**	(14)
Deferred tax expense	**95**	13
Total tax expense	**464**	233

b) Reconciliation of effective tax rate

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

	2021 £000	2020 £000
Profit for the year	**1,662**	862
Total tax expense	**464**	233
Profit before taxation	**2,126**	1,095
Tax using the UK corporation tax rate of 19% (2020: 19%)	**404**	208
Effects of:		
Non-deductible expenses	**15**	40
Non-taxable income	**-**	(15)
Changes in tax rates	**25**	(2)
Adjustments for prior periods	**20**	2
Total tax expense	**464**	233

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

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

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

10 Property, plant and equipment

	Plant, machinery and vehicles £000	Total £000
Cost		
At 1 January 2020	4,131	4,131
Additions	432	432
Transfer from fellow group undertaking	150	150
Disposals	(306)	(306)
At 31 December 2020	**4,407**	**4,407**
At 1 January 2021	4,407	4,407
Additions	189	189
Transfer from right-of-use assets	300	300
Transfer from fellow group undertaking	50	50
Disposals	(341)	(341)
At 31 December 2021	**4,605**	**4,605**
Depreciation and impairment		
At 1 January 2020	881	881
Charge for the year	811	811
Disposals	(125)	(125)
At 31 December 2020	**1,567**	**1,567**
At 1 January 2021	1,567	1,567
Charge for the year	787	787
Transfer from right-of-use assets	80	80
Disposals	(260)	(260)
At 31 December 2021	**2,174**	**2,174**
Net book value		
At 31 December 2021	**2,431**	**2,431**
At 31 December 2020	2,840	2,840

11 Right-of-use assets

	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1 January 2020	67	470	537
Additions	-	22	22
Transfer from fellow group undertaking	-	10	10
Disposals	-	(4)	(4)
At 31 December 2020	**67**	**498**	**565**
At 1 January 2021	67	498	565
Additions	-	23	23
Transfer to property, plant and equipment	-	(300)	(300)
Disposals	(67)	-	(67)
At 31 December 2021	**-**	**221**	**221**
Depreciation and impairment			
At 1 January 2020	23	49	72
Charge for the year	23	74	97
Transfer to fellow group undertaking	-	10	10
Disposals	-	(4)	(4)
At 31 December 2020	**46**	**129**	**175**
At 1 January 2021	46	129	175
Charge for the year	21	71	92
Transfer to property, plant and equipment	-	(80)	(80)
Disposals	(67)	-	(67)
At 31 December 2021	**-**	**120**	**120**
Net book value			
At 31 December 2021	**-**	**101**	**101**
At 31 December 2020	21	369	390

12 Intangible assets

	Goodwill £000	Other intangible assets £000	Total £000
Cost			
Balance at 1 January 2020	4,750	4,155	8,905
Additions on acquisition (see note 23)	-	-	-
Balance at 31 December 2020	4,750	4,155	8,905
Balance at 1 January 2021	4,750	4,155	8,905
Balance at 31 December 2021	4,750	4,155	8,905
Amortisation and impairment			
Balance at 1 January 2020	-	798	798
Charge for the year	-	801	801
Balance at 31 December 2020	-	1,599	1,599
Balance at 1 January 2021	-	1,599	1,599
Charge for the year	-	708	708
Balance at 31 December 2021	-	2,307	2,307
Net book value			
At 31 December 2021	4,750	1,848	6,598
At 31 December 2020	4,750	2,556	7,306

Other intangibles include customer relationships with a carrying amount of £1.3m and remaining amortisation period of 7 years and contractual licenses with a carrying amount of £0.5m and remaining amortisation period of 1 year.

13 Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Property, plant and equipment	**326**	281	**-**	-
Intangible assets	**-**	-	**432**	292
Tax assets/(liabilities)	**326**	281	**432**	292

b) Movement in deferred tax in the year

	1 January 2021 £000	Charge in profit or loss £000	31 December 2021 £000
Property, plant and equipment	281	45	**326**
Intangible assets	(292)	(140)	**(432)**
	(11)	(95)	**(106)**

13 Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior year

	1 January 2020 £000	Charge in profit or loss £000	31 December 2020 £000
Property, plant and equipment	312	(31)	281
Intangible assets	(310)	18	(292)
	2	(13)	(11)

14 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	**1,940**	2,839
Amounts owed by group undertakings (note 22)	**420**	7
VAT receivable	**312**	-
Prepayments	**9**	2
	2,681	2,848
Current	**2,681**	2,848
Non-current	**-**	-
	2,681	2,848

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

Trade receivables include £112k (2020: £53k) of retentions relating to construction contracts in progress.

15 Trade and other payables

	2021 £000	2020 £000
Trade payables	**1,990**	1,044
Deferred consideration payable (note 23)	**747**	1,287
Tax and social security costs	**6**	660
Non trade payables and accrued expenses	**140**	52
Amounts due to group undertakings (note 22)	**1,565**	1,853
	4,448	4,896
Current	**4,448**	4,391
Non-current	**-**	505
	4,448	4,896

Included within Trade payables is £nil (2020: £nil) expected to be settled in over 12 months.

Included within Trade and other payables are contract accruals of £2,259k (2020: £1,938k), which comprises amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

16 Employee benefits

The Company operates a defined contribution plan. The total expense relating to this plan in the current year was £19k (2020: £15k) and the creditor outstanding relating to the plan at 31 December 2021 was £nil (2020: £nil).

	Pension charges		Creditor outstanding	
	2021	2020	2021	2020
	£000	£000	£000	£000
Company Defined Contribution Plan	**19**	15	**-**	-

17 Share capital

	Number of shares 000	Ordinary shares £000
Authorised, allotted, called up and fully paid ordinary shares of £1		
At 31 December 2020	6,000	6,000
At 1 January and 31 December 2021	**6,000**	**6,000**

18 Dividends

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

19 Financial instruments

a) Fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest bearing loans and borrowings

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

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

19 Financial instruments (continued)

a) Fair values of financial instruments (continued)

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

	Note	2021	2020
		£000	£000
Financial assets at amortised cost			
Trade and other receivables	*14*	**2,360**	2,846
Contract assets	*4*	**2,711**	2,138
Cash and cash equivalents		**5,375**	2,422
Total financial assets at amortised cost		**10,446**	7,406
Financial liabilities at amortised cost			
Trade and other payables	*15*	**3,701**	2,897
Contract liabilities	*4*	**417**	-
Lease liabilities (under IFRS 16)		**104**	214
Total financial liabilities at amortised cost		**4,222**	3,111
Financial liabilities at fair value			
Loans and borrowings		**5,000**	5,000
Deferred consideration	*15*	**747**	1,287
Total financial liabilities at fair value		**5,747**	6,287
Total financial liabilities		**9,969**	9,398
Total financial instruments		**477**	(1,992)

Trade and other receivables above exclude prepayments and accrued income.

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

b) Credit risk

Financial risk management

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

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the year-end, namely cash and cash equivalents, trade and other receivables and contract assets. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by 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 2.15).

19 Financial instruments (continued)

b) Credit risk (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure which was £10,446k at 31 December 2021 (2020: £7,406k).

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

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

	2021	2020
	£000	£000
Civil Engineering	**1,940**	2,839
Other	**-**	-
Public sector customers	**-**	-
Private sector customers	**1,940**	2,839
	1,940	2,839

Credit quality of financial assets and impairment losses

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

	2021		2020	
	Gross	**Impairment**	Gross	Impairment
	£000	**£000**	£000	£000
Not past due	**1,251**	**-**	168	-
Past due (0-30 days)	**-**	**-**	1,974	-
Past due (31-120 days)	**-**	**-**	680	-
More than 120 days	**680**	**-**	17	-
	1,931	**-**	2,839	-

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.

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

19 Financial instruments (continued)

c) Liquidity risk

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

Contractual maturity of financial liabilities

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

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000
2021					
Trade and other payables	**3,701**	**3,701**	**3,701**	**-**	**-**
Lease liabilities	**104**	**106**	**60**	**36**	**8**
Loans and borrowings	**5,000**	**5,000**	**5,000**	**-**	**-**
Deferred consideration	**747**	**747**	**747**	**-**	**-**
Contract Liabilities	**417**	**417**	**417**	**-**	**-**
	9,969	**9,971**	**9,925**	**36**	**8**
2020					
Trade and other payables	2,896	2,948	2,948	-	-
Lease liabilities	214	217	133	54	30
Loans and borrowings	5,000	5,000	5,000	-	-
Deferred consideration	1,287	1,287	782	505	-
	9,397	9,452	8,863	559	30

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.

Profile of interest-bearing financial instruments

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

	2021 £000	2020 £000
Variable rate instruments		
Financial assets	**5,375**	2,422
Finance liabilities	**5,000**	5,000

A change of 100 basis points in interest would either increase or decrease equity by £4k (2020: £26k). The sensitivity of 100 basis points represents the Directors' assessment of a reasonably possible change, based on historic volatility.

e) Capital risk management

For the purpose of the Company's capital risk management, capital includes issued share capital, 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 and lease liabilities.

20 Lease liabilities

The Company has leases for land and buildings. The majority of vehicle leases are sublet from a fellow group undertaking (see Note 22 for details of these related party transactions). With the exception of short term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 10). Leases of vehicles generally have a lease term of up to 4 years, and leases of property generally have a lease term of 3 years. Lease payments are all fixed amounts.

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

Amounts recognised in the Income Statement	**2021**	2020
	£000	£000
Interest on lease liabilities	**3**	8
Depreciation on right-of-use assets	**92**	97

Lease liabilities in the Balance Sheet

	2021	2020
Maturity analysis - contractual undiscounted cash flows	**£000**	£000
Less than one year	**60**	133
One to five years	**46**	84
Lease liabilities - undiscounted cash flows	**106**	217
Discount	**(2)**	(3)
	104	214

Amounts recognised in the Statement of Cash Flows	**2021**	2020
	£000	£000
Repayment of capital element of leases	**(142)**	(166)
Interest payments on lease liabilities	**(1)**	(8)
Total cash outflow for leases	**(143)**	(174)

21 Contingencies

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 31 December 2021, the Group's liability was £22,036k (2020: £17,477k), which included an amount of £770k (2020: £8,468k) relating to the government's VAT Payment Deferral Scheme.

22 Related parties

Related party transactions

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

Compensation of key management

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

	2021	2020
	£000	£000
Short-term employee benefits	**115**	115
Post-employment benefits (defined contribution plan)	**3**	2
	118	117

22 Related parties (continued)

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**
2021	**£000**	**£000**	**£000**
At start of year	**-**	**7**	**7**
Sales/Income	**-**	**397**	**397**
Receipts	**-**	**16**	**16**
At end of year	**-**	**420**	**420**

Amounts owed by undertakings	**Parent undertaking**	**Fellow subsidiary undertakings**	**Total**
2020	£000	£000	£000
At start of year	-	40	40
Sales/Income	-	675	675
Receipts	-	(708)	(708)
At end of year	-	7	7

Amounts owed to undertakings	**Parent undertaking**	**Fellow subsidiary undertakings**	**Total**
2021	**£000**	**£000**	**£000**
At start of year	**5,021**	**1,832**	**6,853**
Expenses	**86**	**4,666**	**4,752**
Payment	**(86)**	**(4,956)**	**(5,042)**
At end of year	**5,021**	**1,542**	**6,563**

Amounts owed to undertakings	**Parent undertaking**	**Fellow subsidiary undertakings**	**Total**
2020	£000	£000	£000
At start of year	5,019	8	5,027
Expenses	102	4,457	4,559
Payment	(100)	(2,633)	(2,733)
At end of year	5,021	1,832	6,853

Lease liabilities owed to fellow subsidiary undertaking	**2021**	2020
	£000	£000
At start of year	**135**	155
New leases	**17**	22
Repayments	**(55)**	(43)
Other movements	**(52)**	2
At end of year	**45**	135

Terms and conditions of transactions with related parties

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

23 Purchase of business trade and assets

On 30 November 2018, P J Davidson (UK) Limited acquired the trade and assets of the former P J Davidson (UK) Limited, now named P J Davidson Developments Limited. The trade and assets were acquired for an initial cash consideration of £10.1m, a further deferred consideration of £1.0m payable in three equal instalments on the three anniversaries of acquisition which ended on 30 November 2021, and a further annual contingent cash consideration based on the performance of the Company for the three years ending 31 December 2021.

Net cash outflows in the current and prior financial period in respect of the acquisition comprised:

	2021	2020
	£000	£000
Deferred consideration paid in cash	**807**	738
	807	738

24 Parent and ultimate controlling party

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

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

The ultimate parent and largest group in which the results of the Company for this period are included is Koninklijke VolkerWessels B.V., a company incorporated in the Netherlands. Copies of the published consolidated financial statements may be obtained from its Jijssen office: Reggesingel 10, 7461 BA Rijssen, P.O. Box 2767, 3800 GJ Amersfoort, The Netherlands.