



VolkerFitzpatrick Limited
Registered number 02387700
Annual Report and Financial Statements
for the year ended
31 December 2020

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VolkerFitzpatrick Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	23
Directors' Responsibilities Statement	25
Independent Auditor's Report	26
Consolidated Income Statement	29
Consolidated Statement of Comprehensive Income	30
Consolidated Statement of Financial Position	31
Company Statement of Financial Position	33
Consolidated Statement of Changes in Equity	35
Company Statement of Changes in Equity	36
Consolidated Cash Flow Statement	37
Company Cash Flow Statement	39
Notes to the Consolidated Financial Statements	41

VolkerFitzpatrick Limited
Annual Report 2020
Company Information

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VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Principal activities

The principal activities of the VolkerFitzpatrick Group are building, civil engineering, rail, highways and major infrastructure construction and related services.

Business Review

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

Financial key performance indicators

	2020 £000	2019 £000
Revenue	514,628	589,070
Gross profit	43,851	42,369
Gross profit margin	8.5%	7.2%
Operating result	16,196	14,961
Operating result margin	3.1%	2.5%
Profit before tax	16,325	15,488
Profit before tax margin	3.2%	2.6%
Cash and cash equivalents	100,529	124,728
Net assets	53,814	53,154
Forward secured order book ¹	721,290	478,897

Non-financial key performance indicators

	2020	2019
Health and wellbeing		
Safety	Accident frequency rate (AFR) ²	0.08
Natural environment		
Raw material	Waste diverted from landfill (percentage)	89%
CO ₂ emissions (scope 1 & 2)	Carbon dioxide footprint in kilotons (tonnes/million revenue) ³	12.6
People and culture		
Employee engagement	Employee survey score across 4 key engagement metrics ⁴	N/A

Footnote

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

² The RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. Accident Frequency Rate (AFR) = (number of RIDDOR reportable injuries + total work hours) x 100,000.

³ The data contained in the table above is 'non-normalised'; this means that we are reporting the total emissions within the reporting period. Normalised data reflects a like-for-like comparison on the data and emission sources between 2019 and 2020. On a normalised basis our carbon dioxide footprint for 2020 was 12.6 (2019: 10.0). The non-normalised CO₂ emissions figure for 2019 has been restated to incorporate the most recent set of fully audited data.

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

VolkerFitzpatrick 100 years

2021 will be the 100th anniversary of the founding of the Fitzpatrick & Son business. After a year of major challenges, we are delighted to be celebrating such a milestone and believe we are well placed to step into the next 100 years.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Business review

This report was prepared at a time of unprecedented uncertainty due to the global COVID-19 pandemic which did have an impact on some parts of our business and therefore an effect on the financial performance for the year ended 31 December 2020. It is particularly important to explain how we have responded as a business to the challenges of delivering consistently throughout the pandemic.

Paramount to our operations are our people and their health and safety. First and foremost, we have 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 is providing support to all its employees to ensure they can continue to work either on site or remotely, with those whose roles permit them to, working from home as and when appropriate. For colleagues in key operational roles, we have ensured that strict safety requirements, hygiene education, appropriate personal protective equipment and social distancing measures have been implemented. We have also taken steps to protect our colleagues who are considered the most vulnerable across the business.

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

Trading conditions in the UK remained challenging throughout 2020, not only due to the COVID-19 pandemic but also a continued lack of clarity to businesses about the UK's future relationship with the EU. In the absence of any certainty of direction for the UK for most of 2020, and with an increasingly complex political environment, investor confidence remained low and economic growth remained subdued. In response to this economic headwind the Government did however remain bullish in its forecasts for investment in infrastructure over the next few years. The Government's 2020 spending review announced the next phase of its infrastructure plan with £100 billion of capital expenditure in 2021 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. For further discussion on the risks with regard to the UK's relationship with the EU, managing through the pandemic and the political environment see the Risk Management section of this strategic report.

Shortly after the onset of the pandemic, two of our operational sites were closed due to clients' requirements, and our teams on those sites were demobilised as necessary. For the vast majority of sites however, work continued under a different health and safety regime, with the immediate adoption of COVID safe working practices, in line with Government and industry guidance, and our own additional measures. Those sites that had been shut were re-opened over the following few months, and all our sites remain operational, following Government support for the sector and its emphasis on the importance of construction works and infrastructure build for the future of this country. On several public funded transport schemes we were further encouraged to accelerate works to take advantage of quieter highways and rail networks.

We would like to commend our teams and supply chain who worked hard on site to keep their operations going under extremely difficult circumstances, or those who moved seamlessly to working from home through successive lockdowns, whilst continuing to support those on site.

Despite the challenges, and seeing the terrible consequences for some industries, we consider ourselves very fortunate that our business has been able to continue without significant financial adverse impacts. We did for a limited time utilise the Job Retention Scheme, mostly in relation to the two closed sites, from which we claimed £0.6m. Whilst we remain concerned about economic conditions as a result of the pandemic, we are confident in the strength of our business and people for the future.

Recognising these challenging and unprecedented conditions, it is a reflection of the broad base nature and underlying strength and resilience of the business that the directors are able to report another strong and profitable year for the Group.

Revenues reported for 2020 are £514.6m. This is a reduction of circa 13% on the prior year, when we experienced exceptional demand for our services in the industrial and distribution building market, driven by concerns over UK storage capacity post-Brexit.

We entered the 2020 year with a strong and diversified orderbook and pipeline of work, which has proven to have served us well in the months following the initial COVID-19 outbreak in the UK.

Overall, our activity levels for the year were not significantly impacted by the pandemic. Following commencement of the initial 'lockdown' in late March, we were able to continue working on all except two of our active construction sites following implementation of the appropriate health and safety measures.

In certain market sectors, such as commercial office building, and civil aviation, the number of opportunities coming to tender has reduced dramatically, with investment either cancelled or placed on hold indefinitely. In other market sectors, such as industrial and distribution building, we have seen more aggressive competitive activity, with a number of main contractors prepared to accept undue risk to themselves, and ultimately their clients, in order to secure turnover. As a result of these COVID-19-related factors, our revenue in these sectors has reduced in 2020.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Business review (continued)

By contrast, it is our work on major public infrastructure schemes which has underpinned our revenue performance this year. Defence related airports work, such as at RAF Lossiemouth and RAF Lakenheath, has more than compensated for the reduction in civil aviation works. Receiving the 'Notice to Proceed' for the construction works on our element of the High Speed Two scheme during the year, and continued progress made on the Barking Riverside railway extension, have replaced revenues previously delivered through our CP5 framework with Network Rail which concluded at the end of March. We have also made significant progress in delivery of new Depot facilities at Feltham for First MTR, and on Luton Airport's 'Direct Air-Rail Transit' scheme. In spite of the challenges noted above, our expertise in industrial and distribution building remains sought after, and we have successfully delivered schemes for key players such as Prologis, Gazeley and Mulberry during 2020. A fuller explanation of the market sector and contract activity that contributed to the reported result for the Group for the year can be found in the Operational Review section of this report.

In terms of gross profit margin, at 8.5% our return for the year showed an increase of 1.3 percentage points over that achieved in 2019, which is the product of a different market sector mix of revenues. The Directors' consider the margin return for 2020 to be highly satisfactory, given current market pressures.

Our overall aim in respect of margin return is to achieve growth by focussing on high quality operational delivery, adding value for our clients, and through the appropriate management of risk throughout the life cycle of our projects.

After considering overheads, our operating profit margin for the year improved over 2019 to 3.1%. This has resulted in an operating profit of £16.2m. The same increase of return has also been maintained at the profit before tax level, with a return of 3.2%, resulting in a profit before tax of £16.3m. This represents a £0.8m increase on the profit before tax achieved for 2019, in spite of the fall in revenue.

In addition to the Directors' objective to deliver profitable growth, they are equally focussed on ensuring that the Group maintains a strong and robust financial position, which can provide resilience in difficult times, enables investment in the business, and gives confidence to clients, suppliers, and other stakeholders when they enter into contract with the business.

The Directors' believe the closing balance sheet position of the group once again meets these objectives. Net assets at 31 December were £53.8m (2019: £53.2m), supported by cash and cash equivalents of £100.5m (2019: £124.7m). The Group's short-term liquidity, as reflected in its net current asset position of £43.6m (2019 £46.0m), is also robust.

Overall, the Directors are pleased with the Group's performance for the year which, when taking into consideration the economic and market conditions described above, is the product of a robust and effective long-term business strategy.

In terms of non-financial performance indicators, we are pleased to be able to report excellent results across "safety" and "natural environment". In particular, our Accident Frequency Rate was again in the top quartile of the construction industry's best performing contractors in 2020, representing approximately 6 million man hours with only 5 RIDDOR reportable accidents.

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

CO₂ emissions have increased slightly on 2019 levels largely due to red diesel requirements on some of the large projects during the year.

For further discussion of non-financial performance indicators in our business please see the s172 statement section of this report.

Throughout the year, our Experience Excellence programme has continued to provide clear direction in "working together to Experience Excellence for our clients and our teams", a key focus on attracting, retaining and engaging our employees, and strengthening our management teams. We believe this programme enables us to maintain sustainable and profitable growth, and to develop an ever more responsible business.

It is our fundamental belief that our people are critical to our success, and we are focussed on helping them to develop both personally and professionally. For that purpose, we have in place a tailored learning and development strategy which is designed to ensure that we have the best possible support, tools and frameworks embedded throughout the organisation to enable all of our people to realise their full potential and achieve success.

Operational review

The Group organises and manages its activities through its statutory entities and the operational review for the year is set out below reflecting these arrangements.

VolkerFitzpatrick Limited

Founded in 1921, VolkerFitzpatrick has a long heritage of delivering excellence for its clients. As we enter our 100th year, VolkerFitzpatrick is a multi-disciplinary contractor with a strong track record of delivering demanding, high quality projects, often to fast-track programmes and in challenging 'live' environments. Much of our work is repeat business, for both private and public sector clients, based on a record of successfully delivered contracts. We bring together the specialist building, civil engineering and industry focussed skills from across our business in integrated teams to deliver complex projects in a range of market sectors including commercial, industrial and distribution, education, rail, airports, environmental, energy and other infrastructure.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Operational review (continued)

Rail Depots

Major rail depot projects bring together all of VolkerFitzpatrick's skills in civil engineering, building and rail. Our unique approach of creating an integrated project team from our in-house specialist divisions provides genuine real client benefits including reduced management costs, a single point of responsibility, and improved integration and interface of the civil engineering, building and rail elements of the project.

During the year we made significant progress towards completion of a package of major enhancements to Feltham Depot, in south-west London. The works comprise of the construction of sidings, buildings and signalling enhancements, and form part of the incumbent franchisees' commitment to the Department for Transport for infrastructure improvements on the South Western Railway line.

We were also successful in 2020 in securing a significant contract for the design and build of a new fleet depot at Gosforth in Newcastle for ultimate client Nexus. This new facility will accommodate state-of-the-art trains for the Tyne and Wear Metro, which are set to enter into passenger service from 2023.

Rail Infrastructure

VolkerFitzpatrick continued its partnership with Network Rail (supported by sister companies VolkerRail, VolkerHighways and VolkerLaser) to provide integrated solutions on the Multi-Functional Framework (MFF) in the Anglian Region as part of the Control Period 5 (CP5) programme - a five-year framework that commenced in April 2014, with a years' extension to March 2020. These works are made up of structures and earthworks renewal portfolios, plus several stand-alone multi-disciplinary enhancement schemes that are designed to upgrade the rail network's performance.

Following the conclusion of CP5 at the end of the first quarter of the year, we continued work to complete a number of previously awarded schemes, the most significant of which include service enhancements to the Kings Lynn line, and upgrades to the stations at Ilford and Romford.

Work has also progressed on the project to extend the London Overground Railway in the Barking area of London. Working for the ultimate client, Transport for London, the scheme includes a 4.5km elevated extension to the existing Gospel Oak to Barking line, and a new Barking Riverside station.

The project is a major enabler for the development of Barking Riverside, a 180-hectare brownfield site on the northern bank of the River Thames that will in the future be the location for up to 10,800 new homes.

Following award in late 2019, we have also made good progress in the year on the Brent Cross West Station project, which is due for completion in 2022.

High Speed Two

During 2020, ALIGN (the Joint Venture in which VolkerFitzpatrick participates) continued progressing the development of Lot C1 which is a key section of Phase One of the HS2 high-speed rail network between London and Birmingham.

The ALIGN JV is responsible for the design and construction of the main civil works of the 22km section of the high-speed rail line, running between the Colne Valley and the Chilterns. The C1 lot includes the route's 3.4km long Colne Valley Viaduct, as well as the 16km long twin-bore Chiltern tunnels.

Having completed the scheme design, produced the construction programme, and launched its key procurement activities, Notice to Proceed with Stage Two was issued in April 2020. The site set up has been advanced and two tunnel boring machines have passed their factory acceptance tests and are being assembled on site. They are due to commence tunnelling in early summer 2021.

Airports

We have considerable experience in the airport construction and maintenance sector that goes back over 60 years. We offer airport operators a wide range of design and build capabilities, from rehabilitation of runways, construction of new taxiways and buildings through to delivery of airport maintenance and infrastructure, both landside and airside.

Using our own batching plants and pavers to lay pavement quality concrete we work within tight time frames, minimising lead times often within the live airport operating environment to reduce the impact of our works on customers and end users.

During 2020 we continued to competitively secure and deliver a range of critical airfield infrastructure works at civilian airports with multiple schemes being completed at Stansted and Birmingham as well as starting schemes at Gatwick and London City Airport (which are due for completion in 2021).

Our work at military air bases also continued, with the successful delivery of major infrastructure works at RAF Lossiemouth to facilitate the arrival of the new P8 aircraft. This project successfully contained major elements of self-delivery, delivering circa 200,000m² of concrete apron as well as sawing, sealing and lining works, all of which were carried out by in-house specialist teams.

We also made significant progress on the state-of-the-art Luton DART rapid transit system, linking London Luton Airport with Luton Airport Parkway railway station. The civils works element of this scheme is being undertaken by VolkerFitzpatrick in joint venture, while the separate transportation system contract will be delivered by a third party. The route of the system has been completed during 2020 with the track being installed and the Mechanical & Electrical installations well advanced. Commissioning will commence in 2021 prior to a six month period of trial running.

VolkerFitzpatrick is also in contract with the Defence Infrastructure Organisation as part of a joint venture to deliver new infrastructure to ready RAF Lakenheath as the first permanent home in Europe of the US Air Force F-35 Fighter Jet.

Significant progress has been made during the year. This programme of works provides a new campus for two squadrons of F35 fighters in time for the first aircraft arrival in 2022. The enabling works, service diversion works and a new apron for the F35 fighters are complete.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Operational review (continued)

Works are also progressing well to the Protective Aircraft Shelters project at RAF Lakenheath. This project refurbishes 58 shelters that were built in the 1950's to protect F15 Strike Eagle Aircraft to meet current standards. Work on the first eight shelters has started.

Roads and Highways

VolkerFitzpatrick continues to deliver highways schemes to both the private and public sectors. Our highways infrastructure works facilitate residential and commercial developments, bypasses and urban realm schemes as well as strategic network enhancements on trunk roads and motorways.

This year saw us build on our existing operations within London with highway and infrastructure works at Tottenham Hale for the developer Argent. These works were associated with a significant mixed-use development. In addition, highway works were completed on the A5 trunk road at Magna Park in Leicestershire together with infrastructure works on the adjacent development for IDI Gazeley.

Works for Public Health England continued in 2020 with VolkerFitzpatrick completing the demolition of the existing buildings, general earthworks and drainage as part of their programme to create a public health science campus in Harlow, Essex. Work continues into 2021 on the energy centre strip out, ICT and general groundworks. Our works overall are for the provision of site-wide infrastructure including car parking, external works and an energy centre fit out.

We continue to work on Highways England's £8.7 billion Delivery Integration Partnership Framework to deliver RIS1 schemes. VolkerFitzpatrick has two initial packages of work. The first is a full grade separation and free-flow link between the A34 and Junction 9 of the M3. The second package has been well advanced during 2020 to deliver dual carriageway widening, junction improvements and highway upgrade works to the A27 at Lewes in East Sussex.

Having secured a place on Hampshire County Council's Gen 4 framework for Highways schemes up to £150m during 2019 VolkerFitzpatrick was awarded an £18m highway improvement scheme at Botley, Southampton during 2020.

Bridges and Structures

VolkerFitzpatrick has been constructing road bridges, footbridges, rail bridges, culverts, underpasses, retaining walls and complex reinforced concrete structures for over 40 years as part of its infrastructure services. Our engineers thrive on developing innovative solutions for complex technical, logistical and ground condition challenges. Collaborative planning and working methods enable us to produce programme certainty and a quality product for our valued customers across the public and private sectors.

We have completed the enabling works for the new pedestrian access at Wembley Stadium during 2020 and are well advanced with the main construction work which involves demolishing the existing substantial concrete ramps and replacing with a high specification architectural stair access which has been manufactured off site and then constructed within a blockade of the site.

Ports and Marine

At the Port of Dover we successfully handed over paving, utilities and infrastructure for the port's flagship Dover Western Docks Revival development. The work was a mix of heavy-duty port paving, interconnecting roads, power and lighting, landscaping, street furniture, reefer gantries, fencing and access gates and border control facilities to approximately 10 hectares of the Western Docks. During the project our specialist paving division again carried out the paving works utilising its paving and concrete batching plant onsite.

Commercial Building

VolkerFitzpatrick has been busy throughout 2020 continuing to extend a growing reputation for delivering a collaborative service and high-quality product in the commercial office sector in London and the South East.

A key project completed in 2020 was the retrofit and extension of 77 Coleman Street in the City of London to create 84,000ft² of prime office with ground floor retail space whilst retaining 78% of the existing concrete frame. Also completed was Rolling Stock Yard, a contemporary designed nine - storey 77,500ft² new build office in the Kings Cross creative quarter. Continuing a strong South East regional track record VolkerFitzpatrick completed a 70,000ft² new build office at Foundation Park, Maidenhead and a 68,000ft² new build office with ancillary technical space for a multinational defence technology organisation in Portsmouth.

Mixed-use buildings also featured in the delivery portfolio for 2020, the highlight being a retail, leisure and high-end residential scheme at Essoldo House in Kings Road, Chelsea.

Industrial & Distribution

VolkerFitzpatrick has been a market-leader in the construction of major industrial and distribution facilities for over 20 years working with the major developers and end users in the sector.

In 2020 VolkerFitzpatrick continued to build on a strong market share. During the year we successfully completed Plot 3 at the award-winning Midlands Logistics Park in Corby bringing the total space delivered to over 2.3 million ft² and in Q4 commenced the construction of the final 249,000ft² Plot 4. Our focus throughout the year has been on close engagement with our key customers, responding proactively to their delivery requirements and demonstrating through our successful delivery the value of our experience and reliability.

Other key projects completed in 2020 include 298,000ft² of distribution centre space over three units at Biggleswade, and 430,000ft² at Apex Park, Daventry. In addition, specialist end user fit-out delivery has been completed for various tenants within distribution centres we have completed.

2020 also saw the successful delivery of 180,000ft² of technical hangar space to house luxury aircraft at Farnborough Airport which underlines the versatility and breadth of skill in delivering to exacting customer specifications and bespoke requirements.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Operational review (continued)

Special Projects

The VolkerFitzpatrick Special Projects team specialise in delivering smaller building projects across the key industry sectors. The team brings the security of working with a major UK contractor with the agility and tailored approach of a smaller business.

The team has a place on a Royal Mail framework, which has seen it successfully complete some mission critical projects at Heathrow, Milton Keynes and Northampton in 2020.

Other notable completed projects for 2020, building upon a growing track record in the education sector included the design and build of a creative media hub and associated teaching space for the University of Roehampton. For University College London the Special Projects team have been constructing a world leading Person Environment Activity Research Laboratory in Dagenham due for completion in the first quarter of 2021. At the smaller end of the scale the team collaborated with the charity CRASH to create a new dining area at Caritas Anchor House continuing our support for the homelessness charity in East London in 2019.

VolkerFitzpatrick Overseas Limited

VolkerFitzpatrick Overseas principal activities are the development of opportunities for, and the tendering and execution of, civil engineering and construction works in overseas territories.

During the year the Company undertook some pre-contract services work for the Ports of Jersey in respect of a major scheme of enhancements planned at Jersey Airport. The Company has also assessed and tendered several other non-UK based project opportunities this year, and in the post balance sheet period, prior to the approval of these financial statements, secured a significant new contract award which will deliver revenue and profit for multiple years from 2021 onwards.

Delivering works away from the UK mainland presents a particular set of logistical and operational challenges meaning that the business must carefully appraise each opportunity on its own merits to ensure that if awarded, projects can be completed successfully and profitably.

Future Developments and Secured order book

The Group has in place a strong pipeline of quality work. 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.

At 31 December 2020 the Group's secured order book stood at £721.3 million (2019: £478.9 million).

Major secured contract works in 2020 included the High Speed Two award to the Align JV in which VolkerFitzpatrick participates (Construction phase), Gosforth rail depot enhancements, Birmingham University Station construction, and carriageway improvements to the A27 east of Lewes.

With strength in our order book, and a balance in both market sector exposure and client type our focus for the coming year is on delivering our projects to exceed client expectations, whilst carefully managing risk.

Overall, we remain confident that our approach to winning work will mean that the business is well placed to respond to any challenges that arise from current market conditions or pressures, and other economic uncertainties.

COVID-19

Looking ahead, we must recognise that the impacts of the Coronavirus COVID-19 pandemic are expected to continue to be significant into 2021 and the full extent of the longer term impact on the construction industry, and indeed the nation as a whole is not yet fully understood. VolkerFitzpatrick has developed comprehensive contingency plans and continues to deliver on site, adapting to the requirements of continually changing Government legislation and guidance to do so in accordance with the most recent requirements at each stage of the evolution of this pandemic. For further discussion on the risks with regard to the pandemic see the Risk Management section of this strategic report.

Going Concern

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

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

Overall, we estimate that COVID-19 will have no material impact on our revenues or gross margin in absolute terms. VolkerFitzpatrick has in place a strong pipeline of quality work with the secured order book at year-end at £721.3m. We continue to focus on profit rather than volume and aim to maintain our unique reputation for quality, sustainability and innovation.

Operations have not been significantly impacted, due to the overarching requirement to keep the UK construction industry running as an essential service coupled with our ability to manage our customer and supplier base. We have no reason to believe this would not continue if further waves of COVID-19 occurred.

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2020

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 Group.

<i>Risk and Impact</i>	<i>Health, safety and quality</i>	<i>Mitigation</i>
<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Culture, policy and strategy established by effective leadership. • Clearly defined management systems, registered to ISO. • 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. 	

<i>Risk and Impact</i>	<i>People, culture and values</i>	<i>Mitigation</i>
<p>Our success is dependent on the recruitment, development, wellbeing and retention of our exceptional people who share our core values and culture.</p> <p>The risk is that we are unable to recruit or retain adequate high quality resources to deliver our programmes.</p>	<ul style="list-style-type: none"> • Board level focus on all people matters to ensure a diverse and inclusive culture. • Succession planning to ensure strong talent pipeline. • Investment in learning and development from early careers through to senior management development. • Productive working culture, embracing technology and agile working practices, to maintain high levels of employee engagement. • Robust and effective process management using integrated systems and digital solutions. • Ensure our core values and culture are reflected in partner and supply chain selection. 	

<i>Risk and Impact</i>	<i>Pre-construction</i>	<i>Mitigation</i>
<p>It is our vision to lead the industry in our approach to project risk management which starts at the pre-construction stage.</p> <p>Failure to identify, estimate and manage accurately the key risks associated with the project deliverables, programme, price including the impact of inflation, and the contractual terms could result in financial losses.</p>	<ul style="list-style-type: none"> • 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. 	

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2020

Risk Management (continued)

<i>Risk and Impact</i>	<i>Engineering and operational delivery</i>	<i>Mitigation</i>
<p>Successful delivery of our complex engineering and construction projects is dependent on the effective implementation and maintenance of operational and commercial procedures and controls.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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. 	

<i>Risk and Impact</i>	<i>Environmental</i>	<i>Mitigation</i>
<p>We are very aware that construction has a significant effect on the environment and the communities in which we work. Adverse impacts on the environment and breaches of legislation can lead to environmental harm, reputational damage and enforcement action.</p> <p>We take our responsibility seriously in respect of limiting the environmental impact of the work we do, and, whilst we consider the impact minimal in the context of our business, this includes any potential impact on climate change.</p> <p>We assess the environmental aspects of our activities, products and services that we can control and those that it can influence, and their associated impacts, considering a life cycle perspective. The Group recognises the importance of mitigating our adverse impacts on the environment. An environmental condition that can affect the organisation's activities, products and services can include, for example, climatic temperature change.</p>	<ul style="list-style-type: none"> • 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. 	

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2020

Risk Management (continued)

<i>Risk and Impact</i>	<i>Systems and processes</i>	<i>Mitigation</i>
<p>We are dependent on the quality of our processes, controls and systems as well as the continued availability and integrity of IT systems to record and process data.</p> <p>Failure to control, manage and invest in our systems and processes including the IT environment will result in us not meeting the future needs of the business in terms of expected growth, security and innovation.</p> <p>IT system failure arising from new system integration and/or implementation could result in lack of access to critical data.</p> <p>An attack on our systems and/or networks, to expose, alter, disable, destroy, steal or gain unauthorised access to or make unauthorised use of an asset could result in lack of access to critical data, operational disruption, adverse media coverage and loss of trust, fines/regulatory sanctions and third-party liability/class actions.</p>	<ul style="list-style-type: none"> • 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. 	

<i>Risk and Impact</i>	<i>Adequacy of insurance</i>	<i>Mitigation</i>
<p>We maintain appropriate insurance programmes to mitigate against significant losses in line with general industry practice.</p> <p>Lack of adequate insurance cover could result in potential financial loss or penalties.</p>	<ul style="list-style-type: none"> • 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. 	

<i>Risk and Impact</i>	<i>Financial risk</i>	<i>Mitigation</i>
<p>It is essential to fully understand the financial position of our partners in all of our contractual relationships.</p> <p>Failure of our partners including financial institutions, customers, joint-venture partners and our supply chain could potentially affect short-term cash flows.</p>	<ul style="list-style-type: none"> • Due diligence including credit reviews of our clients, supply chain partners and other stakeholders. • Insure credit where appropriate to do so. • Procedures to monitor and forecast cash flow. • Committed credit facilities to ensure we have adequate cash when required. 	

<i>Risk and Impact</i>	<i>Fraud</i>	<i>Mitigation</i>
<p>Our Integrity Policy covers all aspects of ethical behaviour ensuring that all of our employees and supply chain are open and honest, our business ethically and morally strong and each of us is accountable.</p> <p>Damage to the reputation of the business through poor conduct and acts of fraud, bribery, corruption, or anticompetitive behaviour can all adversely impact corporate reputation and financial loss.</p>	<ul style="list-style-type: none"> • Compliance Officer reporting directly to the Board. • Specific preventative and review controls, reviewed regularly by the Board. • Zero tolerance attitude towards fraud and unethical behaviour. • Integrity clearly stated as one of our core values. • Compulsory training programmes for different levels of the organisation. 	

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2020

Risk Management (continued)

<i>Risk and Impact</i>	<i>Political, market and economic risk</i>	<i>Mitigation</i>
<p>Political, market and economic factors play a significant part in investment decision making for our clients as well as pricing and availability of our supply chain and other partners.</p> <p>Changes in the economic environment, government policy and regulatory developments may impact on the number of new projects in the market, and the cost of delivering those projects, which in turn may impact on the profitability and cash flow of the business.</p>	<ul style="list-style-type: none"> • Regular reviews to ensure that we are not overly exposed to any one aspect of market risk and appropriately responding to changes in legislation and policy. • Actively engage with our industry peers, financial partners, clients and supply chain to ensure that we are aware of, and anticipating, changes in our market and the economy. 	

<i>Risk and Impact</i>	<i>Change in the UK's EU status</i>	<i>Mitigation</i>
<p>The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets.</p> <p>Specific risks include:</p> <ul style="list-style-type: none"> • the potential for increased material costs as a result of exchange rate differences on materials imported; • border controls and increased administration; • potential delays to construction programmes from delays in acquiring and receiving materials; and • skill deficiencies arising from difficulties in obtaining EU workers within the supply chain. 	<ul style="list-style-type: none"> • The UK Board is actively monitoring the potential impact of the UK exiting the EU including the potential for market stimulation by the UK government, freedom of movement of labour, impact on the supply chain and commodity prices and we will adapt our strategy if necessary. • All necessary registrations have been put in place and our teams trained on how to manage the importation of goods and services following the exit from the European Union. We are supporting relevant team members in appropriately managing any complexities arising from border controls and changes to immigration requirements. • The British Government continues to see infrastructure as the foundation on which the economy is built, and the pipeline across general infrastructure, energy, water and transport sectors is expected to generate significant growth across the UK. This creates extensive opportunities for our business, which is well positioned in a number of key infrastructure sectors. 	

<i>Risk and Impact</i>	<i>Ability to operate during a pandemic</i>	<i>Mitigation</i>
<p>A global pandemic could have the potential to disrupt business continuity either as a result of illness of employees or our supply chain, or isolation to avoid illness including forced shut down of work sites for a prolonged period of time.</p> <p>Specific risks include:</p> <ul style="list-style-type: none"> • The operations of the business may not be able to continue due to inability to travel to normal place of work; • Adequate digital solutions may not be in place; • Loss of income due to reduced economic activity; • Cash flow challenges due to the change in circumstances; • Challenges in putting in place adequate working facilities to respect any social distancing or other new health and safety requirements; and • Impacts on clients and supply chain having a knock on impact on our business, including potential business failures and funding issues within the value chain. 	<ul style="list-style-type: none"> • Business continuity measures in place to react and adjust to any event which may disrupt the ordinary course of business. • Technology enabled people with numerous remote working options to enable core support to continue during any enforced shutdown. • Enter 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. • Good cash balances and 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. 	

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2020

Risk Management (continued)

<i>Risk and Impact</i>	<i>Security/terrorist threat</i>	<i>Mitigation</i>
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.	<ul style="list-style-type: none"> • Business continuity measures in place to react and adjust to any event which may disrupt the ordinary course of business. • Insurance is in place in respect of damage. • Close collaborations with clients (who usually hold protestor risk in construction contracts). 	

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

Section 172(1) statement

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

The Board continues to take account of the impact of its decisions on all of our stakeholders, who include employees, customers, suppliers, shareholders, regulators, charities and local community. The Board believes that part of that responsibility includes understanding the views of those stakeholders and building constructive relationships with them. Further details on how we communicate and engage with our different stakeholders is included in the relevant sections below. During the year we have continued to ensure that the health, safety and wellbeing of our people and stakeholders has remained central to everything we do.

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

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

Strategy

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

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

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

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

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

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Board governance structure

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

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

Understanding the market in which we operate

Monthly business review meetings provide a forum for the VolkerWessels UK Board to understand and challenge business leadership on areas such as customer engagement and satisfaction, operational and commercial performance, and customer initiatives. Market outlook is a standing item on the agenda for each of these meetings and the Board regularly assess the impact of external factors on their long term business strategy.

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

Corporate responsibility

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

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

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

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

VolkerFitzpatrick's aim is to be the construction contractor of choice by always exceeding our stakeholders' expectations, being sustainable, innovative and future-oriented. It is our desire to grow responsibly, with respect for communities and the natural environment, and to leave a legacy we are proud of.

As part of our sustainability strategy we will use 2020-2030 to take bold action to achieve this vision, aligning our approach to our organisational values and existing strategies, and externally to our client expectations, as well as to international, national and industry best practice, including to our Sustainable Development Goals.

Investing in enterprise systems, innovation and digital technology

Through its Strategic Transformation Board, Operations Board and Advance Programme Board, VolkerWessels UK is investing in its digital footprint and bringing innovation to the fore.

The Strategic Transformation Board brings together all of our businesses and functions to ensure we have a systems and data strategy that will set us up well for the future. This is underpinned by strong governance, appropriate cyber and other IT security arrangements and a programme of business as well as technology change.

The Operations Board oversee the site-specific digital enhancements which range from specialist tactical applications to support specific site productivity objectives, through to strategic applications such as our site induction systems, common data environment and dynamic management systems tool.

The Advance Programme Board are focussing on oversight of the roll out of a replacement ERP system across all our businesses over the next two years which will also incorporate updating our works order systems that will link into our client systems across our contracts. This will bring a web based look and feel to our core back office systems as we introduce Microsoft Business Central and associated construction-specific functionality to all of our businesses, enabling also more interactive sharing of data with our supply chain and our client base.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Investing in enterprise systems, innovation and digital technology (continued)

During 2020 VolkerWessels UK have gained Cyber Essentials+ accreditation and achieved the latest industry leading building information modelling (BIM) accreditation to ISO19650 for VWUK, covering all companies. We are also currently working towards ISO27001 accreditation in 2021.

Dividend policy

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

(b) the interests of the company's employees

At VolkerFitzpatrick, we are proud of our people and their commitment to consistently delivering excellence to our clients. We strive to create a balanced and sustainable business to the benefit of all stakeholders. We have established a people first business, and we promote a 'can-do' culture.

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

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

The '6C's underpin our vision, "working together to achieve excellence". Our aim is to sustain and improve the health, wellbeing and motivation of all our people, which in turn increases the performance of the individual, project and business as a whole.

At the end of 2019 we introduced a 6th C to our Experience Excellence vision - "Care" to recognise and promote the importance of all individuals caring about their people, their project and the business and this has been a guiding principle throughout this challenging year. In order to flourish in a competitive environment well into the future, we will continue the focus on the 6Cs and during 2021 we will continue site and team based initiatives, to support ongoing engagement and communication.

VolkerFitzpatrick has proudly held the external accreditation 'Investors in People' since 2000 and in 2019 we achieved re-accreditation for a further three years. The focus for 2021 remains to continue our investment in people to support our growth and ensure we are fit for the future.

A clear strategy for people

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

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

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

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

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

Health and safety

We will continue to respect our workforce as the foundation of our business by making safety and wellbeing a priority, forging relationships with likeminded clients and supply chain partners, actively seeking to unlock our collective ambition to deliver long-term social value and support our workforce and supply chain in delivering VolkerFitzpatrick's sustainability ambitions.

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

Well established behavioural programmes have enabled our workforce, employees and supply chain, to actively engage in maintaining a safe working environment; introducing a range of proactive and preventive improvements to how we conduct our operations. Specifically, the PALS programme (Plan, Attitude, Lead and Share), has sustained our Accident Frequency Rate (AFR) which remains in the top quartile of the construction industries best performing companies. The success of our behavioural programmes are evident in our Joint Venture projects where our partners readily adopt our PALS programme.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Health and safety (continued)

Our performance this year has seen:

- The Lost Time Injury Frequency Rate (LTIFR)² and Fatalities Weighted Injuries (FWI) are trending downwards at 0.22 / 0.394 respectively.
- Approximately 6 million working hours completed with 5 RIDDOR reportable accidents, giving an accident frequency rate of 0.08 (industry average of 0.18).
- Numerous projects completed accident and incident free.
- Three of our projects received international safety awards from the British Safety Council in recognition of our commitment to keeping our workers and workplaces healthy and safe.

By using Airswab AVA as a group wide reporting system where hazards can be raised on mobile devices has seen a significant increase in the workforce reporting close calls showing a mature organisational culture where all our workforce trust the process and recognise that reporting is welcomed.

We continue to focus on reducing the number of service strikes within the business and we have reviewed our service strike statistics so that we have a better understanding of our incidents. By reviewing the number of excavations undertaken and the number of services avoided, our service avoidance programme in 2020 has delivered an avoidance rate of over 99.28%. This has been acknowledged and complimented on by various distribution network providers. Our Service Location Avoidance Programme is making a difference with ground-breaking activities.

In 2020 we continued to build upon prior achievements across the range of safety performance indicators. In 2020 VolkerWessels UK group safety performance in comparison to our peers has been industry leading, well below the industry average.

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

We currently have over 35 trained Mental Health First Aiders within the business whom are creating and changing the conversation about mental health: helping break down stigma. As a business we are creating a culture where mental health has parity of esteem with physical health, and mental health first aid has parity of esteem with physical health first aid. Our Employee Assistance Programme was extended to provide support to anyone who works on our projects including our subcontractor workforce, families and friends. In 2020 we rolled out a programme of resilience training sessions for line managers and staff to better manage mental wellbeing in the workplace.

Relevant statistics - health and safety

- Accident Frequency Rate (AFR)¹ of 0.08
- Accident Incidence Rate (AIR)² of 210
- A Close Call Frequency Ratio of 1:608
- 46% decrease in service strikes
- Over 9,000 hazard / near miss / close call reports raised
- 2 British Safety Council 'International Safety' Awards
- VolkerFitzpatrick awarded a RoSPA President's award for 12th consecutive year
- 7 drop-in-clinics conducted by occupational health, with 114 attendees

¹ Accident Frequency Rate (AFR) - RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. $Accident\ Frequency\ Rate\ (AFR) = (number\ of\ RIDDOR\ reportable\ injuries + total\ work\ hours) \times 100,000$.

² Accident Incidence Rate (AIR) - RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Incidence Rate (AIR) calculation. $Accident\ Incidence\ Rate\ (AIR) = (number\ of\ RIDDOR\ reportable\ injuries + average\ headcount) \times 100,000$.

Developing and retaining our people

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

This year we have continued to develop our core behavioural and technical competencies, with a focus on more specialist functional requirements. We have transitioned to a new electronic development and performance review system to improve the experience and to interface with our online learning portal.

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

We work closely with industry based educational organisations such as the Construction Industry Training Board (CITB), Chartered Institute of Building (CIOB) and the Institute of Civil Engineers (ICE) to help our people achieve professional accreditation. Through these relationships we are able to identify the right work placement candidates, apprentices and graduates who are in the process of getting qualified. Many of these individuals ultimately work with us permanently.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Developing and retaining our people (continued)

We have an established network of Universities with whom we work in partnership, and can offer industrial training placements (ITPs) to their students to support them as they work towards their degree. 100% of the students who came to us in 2019 as an ITP returned to us as permanent employees in 2020.

Despite operating in a very different environment this year, we have continued to actively support and develop our people across the Group. The annual development reviews commenced in the Autumn as planned, and a significant investment in Learning and development has continued. The current environment has accelerated the trend towards a more agile delivery of training that was already underway, through the use of digital courses and just-in-time learning. However more traditional classroom training has still been available where appropriate and has been adapted to align with COVID-19 safe working practices.

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

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

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

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

Our goals for 2021 focus on three key aims:

(1) To support the growth of our emerging talent as a pipeline for the future:

- Continue our work on talent management, supporting further growth and investing in our pipeline for the future. Our leaders mentor and coach and we will continue to provide formalised learning opportunities, supported by our Emerging Talent team. We will build on the programme with further new entrants from different pathways including year out placements, graduates, degree apprentices (trainees) and apprentices.
- VolkerFitzpatrick has partnered with Raleigh International since 2015, an international sustainable development charity which harnesses the passion and energy of young people to create lasting change. We have supported projects in Borneo, Tanzania and Costa Rica and provided opportunities for volunteers (aged 18 - 24) to undertake overseas development challenges. We are pleased to continue this support of Raleigh in 2021.

(2) To develop and support the growth of our leaders and managers enabling high performance:

- Leadership Development - we have a suite of leadership programmes for all levels to support talent development and succession planning. This includes training to develop strong management skills which in turn enhances coaching and mentoring teams to achieve their own development goals.
- Up-skilling managers - In 2021 we will be launching 10 modules of virtual learning for managers covering the full employee life cycle and reinforcing their role in the use of learning methods for their teams, to complement our existing face to face training sessions. We also have a range of networking events and knowledge sharing opportunities for managers at all levels supported by our classroom-based suite of leadership and management programmes.

(3) To create an environment where all employees can maximise their potential and feel motivated and engaged:

- Development plans have been aligned to talent and succession plans - we will continue to support People Forums to review the needs of all staff at all levels aligned to business priorities. We continue to develop an environment in which people take responsibility for their own learning and are interested in and support continuous learning in their teams.
- Business specific initiatives and training plan activity is based on business priorities and outputs of Development and Performance Reviews (DPR). There is an embedded process now in place for the DPRs and activity is driven around this area to analyse the feedback from the DPRs, as well as looking at the needs of the overall business identifying and meeting learning needs from an individual, division and full business requirement.

Relevant statistics - Investment in training and development

- In 2020 we undertook 2,166 days training plus 1,330 people benefitted from online learning, 21 employees commenced leadership and management programmes

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Employee engagement

We regularly measure the engagement levels of our workforce, and all employees are given the opportunity to share their thoughts on the Group and how they feel about working for VolkerFitzpatrick. Our employee engagement is significantly higher than our benchmark companies. By 2019, our engagement score was 90%, with all key engagement drivers demonstrating improvement since the prior years.

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

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

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

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

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

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

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

The Board's focus on future skills and new talent

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

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

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

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

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

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

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

Our Early Careers strategy is to focus on bringing through a wide range of people from diverse backgrounds, representing the communities in which we operate, ensuring that we broaden our pool of recruitment and that we recruit at all levels, from apprentices and placement students to undergraduates. We also drive our school engagement activity through a dedicated steering committee and working group, to drive through the delivery of our commitments as set out in our Sustainability Strategy. In 2020 we employed 33 graduates, 19 ITPs and 5 apprentices.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Equality, diversity and inclusion

We understand that a diverse workforce is key to the future of our business and our focus is on building valuable experienced teams and attracting a diverse pool of talent.

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

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

We also work in partnership with several organisations to support our EDI activities, and this external expertise is enabling us to develop our leading approach to improving the diversity throughout the Group. For example, we are currently working with Stonewall and Black Professionals in Construction (BPIC) to enhance the attraction of under-represented groups in our organisation.

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

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

Gender Pay Gap

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

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

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

We are pleased that the proportion of the female VolkerWessels UK population has increased in the past year and this is reflected in the female representation in our upper pay quartile increasing to 10.4%.

Ensuring adequate and competent resources

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

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

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

Supply chain

Our supply chain partners form an integral part of the Group's commitment to offering our clients a quality service, in line with our Strategic pillars of growth. We establish mutually rewarding, ongoing relationships with our suppliers and sub-contractors, and today work with many organisations with which we have a long and successful history of co-operation. Our supply chain is thoroughly assessed against key indicators including health and safety performance, design and technical capability, financial strength and sustainable ethical working practices with an active encouragement of micro, small and medium enterprises alike. We seek feedback from our supply chain during many meetings and supplier days underpinned by our annual "360°" survey.

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

During the year, due to COVID-19 and the general disruption to everyday working lives whilst we have continued to maintain strong and proactive one to one dialogue with our many supply chain partners, we have been unable to run our usual supply chain forums. In 2021 we intend to re-commence these again, initially with online versions and then hopefully later in the year with face to face meetings and events. Historically we have run a number of supplier forums and specialist workshops with suppliers and staff in attendance promoting specific contracts, innovation or areas of mutual interest. Many more contract focused meetings and communications have also been held on a one to one basis as part of our strategy to closely engage with and support our supply chain throughout the year. During 2022 we will be introducing an improved Enterprise Resource Planning system based on a construction specific version of Microsoft Business Central. We will be sharing our plans with our supply chain in this area during 2021 such that we can work together with them to further improve our ongoing exchanges of information.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Supply chain (continued)

Since May 2013 VolkerFitzpatrick has been compliant with the Prompt Payment Code, sponsored by the Department for Business, Energy & Industrial Strategy. Under the code we undertake to:

- Provide suppliers with clear and easily accessible guidance on payment procedures
- Pay suppliers on time within the terms agreed at the outset of the contract and without attempting to change payment terms retrospectively on correctly presented invoices
- Ensure there is a clearly communicated system for dealing with queries, complaints and disputes
- Advise promptly if there is a valid reason why an invoice will not be paid to the agreed terms
- Request that our suppliers encourage adoption of the code throughout their own supply chains.

Relevant statistics - supply chain

- Supplier payment performance for the year showed that the average time to pay an invoice was 32 days
- Supplier days excluding accruals were 64 (2019: 64) days
- 94% of the invoices were paid within 60 days

Customers

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

Each business develops a five-year plan setting out, amongst other things, its proposed sector focus and customer base. From these plans we identify key customers and establish relationship management plans in order to coordinate our interactions and monitor customer satisfaction levels. Coordination of customer interactions is especially important where customers are common to more than one of our businesses, such as in the Defence sector. A significant volume of VolkerFitzpatrick's work is for public sector customers, such as Highways England and Defence Infrastructure Organisation (operating arm of the Ministry of Defence), several of which have awarded framework contracts that provide a solid base load of work for our business units.

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

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

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

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

Other Stakeholders

We engage with our Shareholders and the broader VolkerWessels BV group through many informal as well as formal routes with a quarterly business review and reports. Our objectives are set and agreed through our five-year rolling business planning process and we review our sustainability and other non-financial targets as well as financial targets with them on a regular basis.

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

Members of the Board participate in numerous industry bodies and as a key member of Build UK we enable our industry to be appropriately represented as a whole.

We actively participate as members of a number of industry bodies including; Railway Industry Association, Rail Industry Supplier Qualification Scheme (RISQS), Civil Engineering Contractors Association, Build UK, Chartered Quality Institute, B&CE / Constructing Better Health, Institute for Collaborative Working, Institute of Environmental Management and Assessment, British Occupational Health Society, British Quality Foundation, Considerate Constructors Scheme, FORS, CLOCS, Brake Road Safety, Construction Plant Association, RoSPA, Infrastructure Safety Liaison Group (ISLG), Rail Principal Contractors Group (RPCG), Rail Industry Sustainability Forum (RISF), Rail Plant Association (RPA), Rail Wellbeing Alliance, National Skills Academy for Rail (NSAR), Traffic Operation and Management Standards Committee (TOMSC), British Safety Council and the Supply Chain Sustainability School. In addition we take part in numerous industry-related forums.

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

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

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

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

Giving back to the community

At VolkerFitzpatrick, we are committed to making a positive impact in the communities where we work. We strive to leave a legacy, not only through the projects that we deliver - be they infrastructure or buildings - but also a less tangible legacy by supporting local communities, through engagement with schools, charitable activity and by supporting local organisations.

Our offices and sites work actively to become part of the communities in which they work. We respect people and their local environment. Our aim is to add value to our society, inspire others and support colleagues, clients and suppliers in their own efforts to share time, skills and resources in their chosen way. We provide careers advice and support to local schools and higher education facilities, to encourage more people into the wide range of careers construction has to offer.

In September, we developed our first cohort of local A-level students who have joined VolkerFitzpatrick on quantity surveying, engineering and construction management apprenticeships where they will gain site experience in their chosen discipline whilst gaining a degree qualification.

Due to the restrictions placed upon us by COVID-19, the amount of support we've been able to offer to schools has reduced but, where possible, we have moved many of our events online. These have included virtual careers fairs and online sessions and webinars with university students and other educational establishments. The nature of the support we've offered to communities has also changed during 2020, with more of a focus on supporting those affected by the effects of COVID-19 including food banks and donations for charities that haven't been able to hold fundraising events.

We are also committed to working with established industry-based charities that utilise our expertise as engineers and contractors like the work we do with CRASH in the UK. We also continue to support building projects embarked on by Raleigh International in third world countries.

Relevant statistics - giving back to the community

- Business wide close call reporting for VolkerFitzpatrick led to donations of £5k to the Mayor of Broxbourne's local charities (2019: £7k)
- Other charitable donations amounted to £21k (2019: £60k)

Our environmental impact

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

In this current uncertain environmental and economic climate, our capacity to endure, be agile and be resilient will be fundamental to our long-term growth and our ability to future proof our business. Notably, the world is facing a climate emergency. Climate change is progressing even faster than the world's top scientists have predicted and is outpacing our efforts to address it. Bold action with far greater ambition than ever before is needed to address climate change if we are to meet the goals of the Paris Agreement. We will build this adaptive capacity by making decisions informed by our inherent culture to do business in the right way, as well as recognising that social and environmental risks have interdependencies that touch every part of our business and our supply chain.

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

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

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

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

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

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

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Our environmental impact (continued)

2. Planet - protecting and enhancing our natural environment

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

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

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

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

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

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

Relevant statistics - sustainability

- Planet Mark™ Certification achieved for continuous improvement in reducing carbon emissions from Planet First, an international sustainability certification organisation¹.
- Between 2019 and 2020, using normalised scope 1 and scope 2 data, CO₂ emissions increased to 12.6tCO₂e/£m revenue (2019: 10.0tCO₂e/£m revenue). Whilst this appears to be a significant increase relative to the revenue metric, in absolute terms there was a decrease of 500tCO₂e.
- The largest normalised reduction in scope 1 and 2 was 100% in burning oil, since it was no longer being used. The largest normalised reduction in scope 1 and 2 for an emission sources that was still in use in 2020 was 87% in electricity which was due to a shift to REGO certified energy sources during 2020.
- An average score of 40.68 over 53 Considerate Constructors Scheme assessments³, compared to an industry average of 36.55.
- We have increased the number of electric and hybrid vehicles to 19% of the overall fleet total.

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

² Normalised data that reflects a like-for-like comparison on the data and emission sources between 2019 and 2020. This year's carbon footprint includes emissions from natural gas, on-site fuels, fleet, electricity, water, waste, business travel, hotel stays, cement, aggregates, timber, and steel. The carbon footprint on a normalised basis excludes emissions from certain aggregates, asphalt, and concrete material suppliers from this year's figures, as they were not included in the 2019 figures.

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

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

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

Integrity

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

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

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

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

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

Whistle blowing

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

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

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

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

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


RA Offord
Director

12 November 2021

Company registered number: 02387700

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerFitzpatrick Limited

Directors' Report

for the year ended 31 December 2020

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

Results and dividends

The profit for the financial year after taxation was £13.2m (2019: £14.7m). The directors do not recommend the payment of a final dividend (2019: £nil).

A dividend of £12.5m was paid during the year (2019: £22.8m).

Directors

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

RA Offord
NA Connell
JA Cox
DJ Griffin
CS Humphrey
AR Robertson
MG Woods
VolkerWessels UK Limited

Directors' indemnities

The Group 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 Group is an equal opportunities employer.

The culture of the Group 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 Group has the management skills available to maintain growth underpinned by a robust internal promotion scheme.

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

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

Employee Engagement

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

Business relationships

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

Political and charitable contributions

During the year, the Group made charitable donations amounting to £26k (2019: £67k). Neither the Group nor the Company made any political donations during the year (2019: £nil).

Other disclosures

Disclosures in respect of future developments and going concern of the Group are given in the Strategic Report. Information on financial instruments, financial risk management and exposure is given in note 27 of the financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group'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 Group'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.

VolkerFitzpatrick Limited
Directors' Report
for the year ended 31 December 2020

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

12 November 2021

Company registered number: 02387700

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerFitzpatrick Limited Directors' Responsibilities Statement for the year ended 31 December 2020

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent 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 Group and Parent 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 Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent 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 Group and Parent 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 VolkerFitzpatrick Limited for the year ended 31 December 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of VolkerFitzpatrick Limited (the 'parent company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent company statements of financial position;
- the consolidated and Parent company statements of changes in equity;
- the consolidated and Parent company cash flow statement; and
- the related notes 1 to 30.

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

Basis for opinion

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

We are independent of the Group and the parent 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 Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of VolkerFitzpatrick Limited for the year ended 31 December 2020

Auditor's responsibilities for the audit of the financial statements

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

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

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 group's industry and its control environment, and reviewed the group'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 group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Pensions Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. Those that are fundamental to the operations of the company included the Bribery Act, employee laws, carbon reduction regulations, health and safety and environment matters.

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

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 Group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

**Independent Auditor's Report to the Members of
VolkerFitzpatrick Limited
for the year ended 31 December 2020**

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.



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

16 November 2021

VolkerFitzpatrick Limited
Consolidated Income Statement
for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Continuing operations			
Revenue	4	514,628	589,070
Cost of sales		(470,777)	(546,701)
Gross profit		43,851	42,369
Administrative expenses		(27,699)	(27,408)
Other operating income	5	44	-
Operating result		16,196	14,961
Financial income	9	182	584
Financial expense	10	(53)	(57)
Profit before tax	6	16,325	15,488
Income tax	11	(3,161)	(3,013)
Profit for the year from continuing operations		13,164	12,475
Discontinued operations			
Profit for the year from discontinued operations	12	-	2,267
Profit for the year		13,164	14,742
Profit attributable to:			
Equity holder of the parent company		13,164	14,742
		13,164	14,742

The notes on pages 41 to 81 form an integral part of the consolidated financial statements.

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

	<i>Note</i>	2020 £000	2019 £000
Profit for the year		13,164	14,742
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension plans	24	(403)	746
Adjustment for restrictions on the defined benefit asset	24	399	(563)
Tax relating to items which will not be reclassified	11	-	(31)
Other comprehensive (expense)/income for the year, net of income tax		(4)	152
Total comprehensive income for the year		13,160	14,894
Total comprehensive income attributable to:			
Equity holder of the parent company		13,160	14,894
		13,160	14,894

The notes on pages 41 to 81 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
as at 31 December 2020

	<i>Note</i>	2020	2019
		£000	£000
Non-current assets			
Property, plant and equipment	13	112	100
Right-of-use assets	14	3,462	2,425
Intangible assets	15	-	-
Trade and other receivables	19	8,954	5,962
Deferred tax assets	17	24	27
Employee benefits	24	-	-
Total non-current assets		12,552	8,514
Current assets			
Inventories	18	2,930	2,840
Trade and other receivables	19	44,248	43,550
Contract assets	4	25,762	25,006
Cash and cash equivalents	20	100,529	124,728
Total current assets		173,469	196,124
Total assets		186,021	204,638

The notes on pages 41 to 81 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
as at 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Equity attributable to equity holder of the parent			
Share capital	25	6,000	6,000
Retained earnings		47,814	47,154
		<u>53,814</u>	<u>53,154</u>
Total equity		<u><u>53,814</u></u>	<u><u>53,154</u></u>
Non-current liabilities			
Lease liabilities	21	2,303	1,392
Total non-current liabilities		<u>2,303</u>	<u>1,392</u>
Current liabilities			
Lease liabilities	21	1,146	1,031
Trade and other payables	22	104,517	125,742
Contract liabilities	4	20,693	19,936
Provisions	23	880	859
Income tax payable		2,668	2,524
Total current liabilities		<u>129,904</u>	<u>150,092</u>
Total liabilities		<u><u>132,207</u></u>	<u><u>151,484</u></u>
Total equity and liabilities		<u><u>186,021</u></u>	<u><u>204,638</u></u>

The notes on pages 41 to 81 form an integral part of the consolidated financial statements.

These financial statements were approved by the board of directors on 12 November 2021 and were signed on its behalf by:



RA Offord

Director

Company registered number: 02387700

VolkerFitzpatrick Limited
Company Statement of Financial Position
as at 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	13	112	100
Right-of-use assets	14	3,462	2,425
Investments	16	20	20
Trade and other receivables	19	8,954	5,962
Deferred tax assets	17	24	23
Total non-current assets		12,572	8,530
Current assets			
Inventories	18	2,930	2,840
Trade and other receivables	19	44,209	43,489
Contract assets	4	25,762	25,006
Cash and cash equivalents	20	99,205	123,425
Total current assets		172,106	194,760
Total assets		184,678	203,290
Equity attributable to equity holder of the company			
Share capital	25	6,000	6,000
Retained earnings		46,526	45,885
Total equity		52,526	51,885
Non-current liabilities			
Lease liabilities	21	2,303	1,392
Total non-current liabilities		2,303	1,392
Current liabilities			
Lease liabilities	21	1,146	1,031
Trade and other payables	22	104,466	125,696
Contract liabilities	4	20,693	19,936
Provisions	23	880	859
Income tax payable		2,664	2,491
Total current liabilities		129,849	150,013
Total liabilities		132,152	151,405
Total equity and liabilities		184,678	203,290

VolkerFitzpatrick Limited
Company Statement of Financial Position
as at 31 December 2020

The profit for the parent company for the year was £13.1m (2019: £17.8m).

The notes on pages 41 to 81 form an integral part of the consolidated financial statements. The Company has not published a separate Income Statement in accordance with the exemptions in s408 of the Companies Act 2006.

These financial statements were approved by the board of directors on 12 November 2021 and were signed on its behalf by:



RA Offord

Director

Company registered number: 02387700

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

	Attributable to equity holders of parent		Total equity £000
	Share capital £000	Retained earnings £000	
Balance at 1 January 2019	6,000	55,060	61,060
Comprehensive income			
Profit for the year	-	14,742	14,742
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax and adjustment for restrictions on defined benefit assets	-	152	152
Total comprehensive income	-	14,894	14,894
Transactions with owners			
Dividends payable (note 26)	-	(22,800)	(22,800)
Balance at 31 December 2019	6,000	47,154	53,154
Balance at 1 January 2020	6,000	47,154	53,154
Comprehensive income			
Profit for the year	-	13,164	13,164
Other comprehensive expense			
Actuarial losses on defined benefit pension plans, net of tax and adjustment for restrictions on defined benefit assets	-	(4)	(4)
Total comprehensive income	-	13,160	13,160
Transactions with owners			
Dividends payable (note 26)	-	(12,500)	(12,500)
Balance at 31 December 2020	6,000	47,814	53,814

The notes on pages 41 to 81 form an integral part of the consolidated financial statements.

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

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	6,000	50,894	56,894
Adjusted balance at 1 January 2019	6,000	50,894	56,894
Comprehensive expense			
Profit for the year	-	17,791	17,791
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax and adjustment for restrictions on defined benefit assets	-	-	-
Total comprehensive income	-	17,791	17,791
Transactions with owners			
Dividends payable (note 26)	-	(22,800)	(22,800)
Balance at 31 December 2019	6,000	45,885	51,885
Balance at 1 January 2020	6,000	45,885	51,885
Comprehensive income			
Profit for the year	-	13,145	13,145
Other comprehensive expense			
Actuarial losses on defined benefit pension plans, net of tax and adjustment for restrictions on defined benefit assets	-	(4)	(4)
Total comprehensive income	-	13,141	13,141
Transactions with owners			
Dividends payable (note 26)	-	(12,500)	(12,500)
Balance at 31 December 2020	6,000	46,526	52,526

The notes on pages 41 to 81 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Profit for the year		13,164	14,742
Adjustments for:			
Depreciation of property, plant and equipment	6	51	90
Depreciation of right-of-use assets	6	1,174	3,934
Amortisation of intangible assets	15	-	359
Financial income	9	(182)	(649)
Financial expense	10	53	206
Gain on sale of property, plant and equipment	5	(44)	-
Payments to defined benefit plans		(18)	(12)
R & D expense credit		(849)	(348)
Income tax	11	3,161	3,457
Operating cash flows before movements in working capital		16,510	21,779
(Increase) in trade and other receivables		(3,691)	(2,222)
(Increase) / decrease in contract assets		(756)	2,280
(Increase) in inventories		(90)	(2,484)
(Decrease)/increase in trade and other payables		(21,219)	35,180
Increase / (decrease) in contract liabilities		757	(6,137)
Increase/(decrease) in provisions		21	(502)
Cash flows from operating activities		(8,468)	47,894
Interest paid		-	(150)
Income tax paid		(2,164)	(1,537)
Net cash (used in) / from operating activities		(10,632)	46,207
Cash flows from investing activities			
Proceeds from sale of plant, property and equipment		71	-
Interest received		182	597
Acquisition of plant, property and equipment		(90)	(10)
Acquisition of intangible fixed assets		-	(118)
Net cash from investing activities		163	469
Cash flows from financing activities			
Dividends paid to Group's shareholders	26	(12,500)	(22,800)
Interest paid		(53)	(43)
Repayment of lease liabilities	21	(1,177)	(3,882)
Net cash used in financing activities		(13,730)	(26,725)

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Net (decrease)/increase in cash and cash equivalents		<u>(24,199)</u>	<u>19,951</u>
Cash and cash equivalents at 1 January		<u>124,728</u>	<u>104,777</u>
Cash and cash equivalents at 31 December	<i>20</i>	<u><u>100,529</u></u>	<u><u>124,728</u></u>

The notes on pages 41 to 81 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2020

	2020	2019
	£000	£000
Profit for the year	13,145	17,791
Adjustments for:		
Depreciation of property, plant and equipment	51	48
Depreciation of right-of-use assets	1,174	1,095
Financial income	(182)	(543)
Financial expense	53	25
Dividend received	-	(1,000)
Gain on sale of property, plant and equipment	(44)	-
Gain on sale of investments	-	(4,455)
Payments to defined benefit plans	(22)	(12)
R & D expense credit	(849)	(348)
Income tax	3,161	2,977
Operating cash flows before movements in working capital	16,487	15,578
(Increase) in trade and other receivables	(3,713)	(8,345)
(Increase)/decrease in contract assets	(756)	9,367
(Increase) in inventories	(90)	(2,840)
(Decrease)/increase in trade and other payables	(21,220)	31,799
Increase/(decrease) in contract liabilities	757	(4,718)
Increase in provisions	21	218
Cash used in operating activities	(8,514)	41,059
Interest paid	-	(2)
Income tax paid	(2,139)	(1,238)
Net cash (used in) / from operating activities	(10,653)	39,819
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	71	-
Interest received	182	562
Dividends received	-	1,000
Acquisition of property, plant and equipment	(90)	-
Divestment of subsidiary undertaking	-	11,613
Net cash from investing activities	163	13,175
Cash flows from financing activities		
Dividends paid to Company's shareholders	(12,500)	(22,800)
Interest paid	(53)	(43)
Repayment of lease liabilities	(1,177)	(1,096)
Net cash used in financing activities	(13,730)	(23,939)

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2020

	<i>Note</i>	2020	2019
		£000	£000
Net (decrease)/increase in cash and cash equivalents		(24,220)	29,055
Cash and cash equivalents at 1 January		123,425	94,370
Cash and cash equivalents at 31 December	20	99,205	123,425

The notes on pages 41 to 81 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

1 General information

The Company is incorporated and domiciled in the United Kingdom under the Companies Act 2006. 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

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. On publishing the parent financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement, statement of comprehensive income and related notes that form part of these approved financial statements.

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

2.2 Measurement convention

The financial statements are prepared on the historical cost basis.

2.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 22. In addition, note 27 to the financial statements includes the Group objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Company and Group meets its day-to-day working capital requirements through a centrally maintained group facility with VolkerWessels UK Limited (the "VWUK Group"). The Company and Group is expected to continue to be in a position to obtain finance from the VWUK 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 VWUK Group to continue provide such finance. See Note 27(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 and Group is forecast to generate profits and cash in the years ending 31 December 2021 and 31 December 2022, and that the Company and Group has sufficient cash reserves and facilities to enable the Company and Group 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 Group's net current assets position and the strength of the forward secured order book, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for 12 months from the date of signing the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

2.4 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is exposed or has right to variable returns from its involvement with the subsidiary. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

2.5 Jointly Controlled Operations

The Group has entered into a number of Jointly Controlled Operations (JCOs) with different partners for the purposes of undertaking specific contracts. Interests in JCOs are accounted for by recognising the Group's share of income and expenses and assets and liabilities measured according to the terms of the arrangements.

2.6 Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency (pound sterling) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

2 Accounting policies (continued)

2.7 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:

Buildings:	3 to 25 years
Plant, machinery and motor vehicles:	4 to 6 years
Furniture, fittings, tools and equipment:	4 years
Leasehold buildings	Length of the lease

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

2.8 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 the lease term and the 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.

2.9 Intangible assets and goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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.

Other intangible assets excluding goodwill that are acquired by the Group 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:

Software:	3 to 5 years
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2.10 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 Group 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.

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

2 Accounting policies (continued)

2.10 Leases (continued)

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 Group 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), and
- 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.

2.11 Employee benefits

Defined contribution plans

The Group operates defined contribution pension schemes. 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 pensions plans are recognised as an expense in the income statement as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods: that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the year-end on AA credit rated bonds denominated in the currency of, and having maturity dates approximate to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

2.12 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.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Cost is determined using the weighted average cost method.

2.14 Impairment excluding financial assets, inventories and deferred tax assets

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a receivable 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.

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.14 Impairment excluding financial assets, inventories and deferred tax assets

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

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

2.15 Financial instruments

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

- a. They include no contractual obligations upon the Company (or Group as the case may be) 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 (or Group); 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's 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.

2.16 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.

2.17 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 subsidiaries are carried at cost in the parent company 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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.

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

2 Accounting policies (continued)

2.18 Impairment of financial instruments

The Group 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 Group'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 Group recognises ECL when there has been a significant increase in risk since initial recognition. When estimating ECLs, the Group 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 Group's historical experience and includes forward-looking information. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL as defined below.

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

2.19 Intra-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 Provisions

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

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

2.21 Financing income and expenses

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

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

2.22 Income Tax

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

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

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

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

2 Accounting policies (continued)

2.23 Contingent liabilities

In the normal course of business, the Group is involved in disputes, arbitrations and legal procedures. This can relate to contracts with customers on topics such as claims, design changes, variation orders, project delays and other variations, throughout the various stages of such contracts. But also, in relation to discussions with governmental bodies or taxing authorities. In accordance with the current accounting standards, the Group recognises a provision with respect to these disputes and/or proceedings if the Group has a current obligation for which an outflow of economic resources is probable and of which the amount can be estimated reliably.

The Group also has various disputes and/or legal proceedings with customers or any other third party, for which the Group expects based on a legal analysis that; it has no obligation; or it is not probable that an obligation will result in an outflow of economic resources. For these legal proceedings, the Group does not recognise a provision.

The outcome of such disputes and/or legal proceedings and discussions is in nature uncertain and the actual outcome, when subsequently resolved in the future, may differ from the current expectations of the Group. This may have a material impact on the Group's financial position, operational result or cash flows. The Group may also enter into discussions regarding settlement of these and other proceedings in the future and may enter into settlement agreements, if it believes settlement is in the best interests of the Group.

2.23 Cash and Cash Equivalents

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

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

2.24 Revenue

Revenue recognition is determined according to the requirements of IFRS 15 'Revenue from contracts with customers'. IFRS 15 prescribes a five-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 Group expects to be entitled to, in exchange for those goods or services.

For each performance obligation identified in the contract, the Group 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 Group'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 Group'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 Group's construction contracts are typically satisfied over time as the Group's performance creates or enhances an asset that the customer controls. The Group's service contracts are satisfied over time where the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs it.

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

For service contracts and 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 or milestones, progress is measured based on the number of units produced or achievement of milestones, 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 Group 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 Group 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 Group 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.

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.24 Revenue (continued)

Construction contracts

The Group's construction contracts span the civil engineering and construction sectors and include rail, highways, airport, marine, energy, water and environmental infrastructure, commercial building and industrial building. The contract term depends on the nature and complexity of the project and the Group's role on the project.

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

The transaction price for the main contract is agreed with the customer before any work is undertaken. Where the contract contains multiple performance obligations then the transaction price is allocated based on the standalone selling price of each performance obligation. The standalone selling price is the observable price of a good or service when the Group sells that good or service separately in similar circumstances and to similar customer. The standalone 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 Group becomes entitled to invoice the customer based on certification of goods and services completed. Depending on the contractual terms the customer may be entitled to hold back a percentage of the invoiced amount as a retention for defects or rework. Retentions are included in trade and other receivables as the Group has a contractual right to payment which is contingent on the passage of time. Payment terms are rarely greater than 45 days. Goods and services transferred to the customer which have not been certified are recognised as contract assets. Contract assets are transferred to trade receivables as and when they are certified. If payment from the customer exceeds the revenue recognised using the input method, the Group will recognise a contract liability for the difference.

2.25 Government grants

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

2.26 Changes in significant accounting policies

New amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2020 are listed below:

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

The new amendments had no significant impact on the Group'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 group has decided not to adopt early as listed below:

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) (effective 1 April 2021)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (effective 1 January 2022)
- References to Conceptual Framework (Amendments to IFRS 3) (effective 1 January 2022)
- Presentation of financial statements' on classification of liabilities (Amendments to IAS1) (effective 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective 1 January 2023)
- IFRS 17 Insurance contracts (effective 1 January 2023) 17 Insurance contracts (effective 1 January 2023)

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

3 Accounting estimates and judgements

The preparation of the Group's consolidated 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 Group's and the Company's Accounting Policies

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

Categorisation of contracts

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

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

Intercompany cash pooling receivables classified as Cash Equivalents

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

In line with the daily operation of the cash pool, at the balance sheet date, a total of £80m, (2019 £106m) has been swept out of the secondary account to bring the balance to £0. Therefore, there is an equal amount receivable to the entity from VWUK.

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

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

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

Key Sources of Estimation Uncertainty

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

(a) Revenue recognition

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

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

Across the Group and Company there are several long-term projects where the best estimate has been made on significant judgements. Any such estimate may change as new information becomes available and may have a material effect on the Group's and Company's revenue, profits and cash flows.

(b) Variable consideration

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

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

4 Revenue - continued operations

a) Disaggregation of revenue from contracts with customers:

The Group derives revenue from the transfer of goods and services in the following major activities.

	2020	2019
	£000	£000
Construction contract revenues	514,628	589,070
Total revenues	514,628	589,070

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

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

The Group provides construction and civil engineering services to a wide range of industries.

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 five years or more for large scale complex construction works.

Invoices or Applications are typically raised monthly, based on valuations of the work completed and have normal commercial payment terms.

Please refer to Note 2.24 Revenue (accounting policies) for further details.

c) Contract balances

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

	2020	2019
	£000	£000
Contract assets	25,762	25,006
Contract liabilities	20,693	19,936

The contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. All contract assets held at 31 December 2020 are expected to be invoiced and transferred to trade receivables within the next 12 months.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2020 are expected to satisfy performance obligations in the next 12 months.

Contract assets	2020	2019
	£000	£000
As at 1 January	25,006	38,653
Transfers from contract assets recognised at the beginning of the year to receivables	(19,625)	(33,309)
Increase related to services provided in the year	23,050	21,165
Impairments on contract assets recognised at the beginning of the year	(2,669)	(1,503)
As at 31 December	25,762	25,006

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

4 Revenue - continued operations (continued)

	2020	2019
	£000	£000
Contract liabilities		
As at 1 January	19,936	18,452
Revenue recognised against contract liabilities at the beginning of the year	(19,936)	(18,452)
Increase due to cash received, excluding amounts recognised as revenue during the year	20,693	19,936
As at 31 December	20,693	19,936

The amount of revenue recognised in 2020 from performance obligations satisfied in previous periods is £968k (2019: £689k).

Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to performance obligations within contracts with customers that are partially or fully unsatisfied as at 31 December 2020 is £721,290k.

Management expects that 50% of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised as revenue during the 2021 financial year (£357,546k), 25% during the 2022 financial year (£177,996k) and 25% thereafter (£185,748k).

Assets recognised from costs to fulfil a contract

In addition to the contract assets and contract liabilities, the Group may also capitalise bid/tender costs and site set up costs where Management expects the costs to be recoverable. There were no such balances at year end.

5 Other operating income

	2020	2019
	£000	£000
Profit on disposal of property, plant and equipment	44	-
	44	-

6 Profit before tax

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

	2020	2019
	£000	£000
Depreciation of plant, property and equipment		
- owned assets	51	48
- Right-of-use assets	1,174	1,095
Lease charges on short-term leases	181	307
Auditor's remuneration		
- audit of these financial statements	210	191
- audit of financial statements of subsidiaries	5	9
Amounts received in relation to furlough scheme (Coronavirus Job Retention Scheme)	581	-

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

7 Staff numbers and costs - continued operations

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

	2020 No	2019 No
Management & administrative	139	120
Operational	716	692
	<u>855</u>	<u>812</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	57,482	55,006
Social security costs	6,436	6,196
Contributions to defined contribution plans	4,388	4,015
	<u>68,306</u>	<u>65,217</u>

8 Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	1,415	1,317
Company contributions to money purchase pension plans	75	80
	<u>1,490</u>	<u>1,397</u>

The emoluments of the highest paid Director were £382k (2019: £375k) and company pension contributions of £4k (2019: £6k) were made to a money purchase scheme on their behalf.

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

	2020 No	2019 No
Money purchase schemes	<u>6</u>	<u>6</u>

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

9 Financial income - continued operations

	2020 £000	2019 £000
Interest income on short-term bank deposits	12	481
Net foreign exchange gains	52	-
Net interest on the net defined benefit assets	-	90
Amounts receivable from related parties	118	13
Total financial income	182	584

10 Financial expense - continued operations

	2020 £000	2019 £000
Interest on lease liabilities	53	43
Net foreign exchange loss	-	14
Total financial expense	53	57

11 Income Tax

a) Analysis of the tax recognised in the income statement

	2020 £000	2019 £000
<i>Current tax expense</i>		
<i>UK corporation tax:</i>		
Current year	3,072	3,027
Adjustments for prior periods	86	7
Current tax expense	3,158	3,034
<i>Deferred tax expense/(income) (see note 17)</i>		
Origination and reversal of temporary differences	6	(5)
Change in tax rate	(3)	1
Adjustments for prior periods	-	(17)
Deferred tax expense/(income)	3	(21)
Total tax expense	3,161	3,013

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

11 Income Tax - continued operations (continued)

b) Reconciliation of effective tax rate

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

	2020 £000	2019 £000
Profit for the year - continuing operations	13,164	12,475
Total tax expense	3,161	3,013
Profit before taxation - continuing operations	<u>16,325</u>	<u>15,488</u>
Tax using the UK corporation tax rate of 19% (2019: 19%)	3,102	2,942
Effects of:		
Expenses not deductible for tax purposes	56	51
Effect of research and development tax credit ¹	(80)	29
Effect of change in tax rate	(3)	1
Adjustments for prior years	86	(10)
Total tax expense - continuing operations	<u><u>3,161</u></u>	<u><u>3,013</u></u>

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

c) Tax recognised directly in other comprehensive income

	2020 £000	2019 £000
Deferred tax expense recognised directly in other comprehensive income	-	31

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

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

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

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

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

12 Discontinued operations

The Group completed the sale of its wholly owned subsidiary, VolkerHighways Limited, to VolkerWessels Limited on 31 December 2019 for a consideration of £11.6m, which was equivalent to the net assets of VolkerHighways Limited as at the same date. Accordingly, no gain or loss was recognised on disposal in the Group income statement. This disposal was classified as a discontinued operation in prior year. The results of the discontinued operation and the effect of the disposal on the financial position of the Group were as follows:

Results of the discontinued operation for the year

Income Statement	2020	2019
	£000	£000
Revenue	-	118,582
Cost of sales	-	(111,490)
Gross profit	-	7,092
Administrative expenses	-	(4,297)
Operating result	-	2,795
Financial income	-	65
Financial expense	-	(149)
Profit before tax	-	2,711
Income Tax	-	(444)
Profit for the year	-	2,267
Profit attributable to:		
Equity holder of the parent company	-	2,267
	-	2,267
Cash flows from/(used in) discontinued operation	2020	2019
	£000	£000
Net cash flows from operating activities	-	6,455
Net cash flows from investing activities	-	(102)
Net cash flows from financing activities	-	(3,963)
Net cash flows for the year	-	2,390
Intra-Group funding and transactions	-	(126)
Net cash flows from discontinued operation, net of intercompany	-	2,264

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

12 Discontinued operations (continued)

Effect of disposal on the financial position of the Group

Net assets disposed of and gain on disposal	2020	2019
	£000	£000
Goodwill	-	403
Property, plant and equipment	-	167
Right-of-use assets	-	8,153
Intangible assets	-	1,299
Deferred tax assets	-	122
Employee benefits	-	1,595
Inventories	-	2,412
Trade and other receivables	-	8,804
Contract assets	-	10,933
Cash and cash equivalents	-	11,603
Lease liabilities	-	(8,178)
Provisions	-	(956)
Deferred tax liabilities	-	(359)
Trade and other payables	-	(20,661)
Contract liabilities	-	(3,229)
Income tax payable	-	(526)
	<hr/>	<hr/>
Consideration received in cash and cash equivalents, net of transaction costs	-	11,582
	<hr/>	<hr/>
Gain on sale of discontinued operation	-	-
	<hr/> <hr/>	<hr/> <hr/>
Net cash outflow arising on disposal:		
Consideration received in cash and cash equivalents, net of transaction costs	-	11,582
Less cash and cash equivalents disposed of	-	(11,603)
	<hr/>	<hr/>
	-	(21)
	<hr/> <hr/>	<hr/> <hr/>

Taxation of discontinued operation

The gain on sale of discontinued operation qualified for the Substantial Shareholding Exemption and consequently was not subject to corporation tax.

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

13 Property, plant and equipment

Group	Land and buildings £000	Plant, machinery and vehicles £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
At 1 January 2019	370	1,362	117	1,849
Additions	-	10	-	10
Disposals - discontinued operations	(197)	(1,372)	(117)	(1,686)
At 31 December 2019	173	-	-	173
At 1 January 2020	173	-	-	173
Additions	-	90	-	90
Disposals	(58)	-	-	(58)
At 31 December 2020	115	90	-	205
Depreciation and impairment				
At 1 January 2019	78	1,307	117	1,502
Charge for the year	78	12	-	90
Disposals - discontinued operations	(83)	(1,319)	(117)	(1,519)
At 31 December 2019	73	-	-	73
At 1 January 2020	73	-	-	73
Charge for the year	39	12	-	51
Disposals	(31)	-	-	(31)
At 31 December 2020	81	12	-	93
Net book value				
At 31 December 2020	34	78	-	112
At 31 December 2019	100	-	-	100

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

13 Property, plant and equipment (continued)

Company	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1 January 2019	173	-	173
At 31 December 2019	173	-	173
At 1 January 2020	173	-	173
Additions	-	90	90
Disposals	(58)	-	(58)
At 31 December 2020	115	90	205
Depreciation and impairment			
At 1 January 2019	25	-	25
Charge for the year	48	-	48
At 31 December 2019	73	-	73
At 1 January 2020	73	-	73
Charge for the year	39	12	51
Disposals	(31)	-	(31)
At 31 December 2020	81	12	93
Net book value			
At 31 December 2020	34	78	112
At 31 December 2019	100	-	100

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

14 Right-of-use assets

Group	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
Recognised on adoption of IFRS 16 at 1 January 2019	4,555	6,402	10,957
Additions	109	3,633	3,742
Disposals	-	(205)	(205)
Disposals - discontinued operations	(3,880)	(7,178)	(11,058)
At 31 December 2019	<u>784</u>	<u>2,652</u>	<u>3,436</u>
At 1 January 2020	784	2,652	3,436
Additions	1,510	701	2,211
Disposals	(61)	(305)	(366)
At 31 December 2020	<u><u>2,233</u></u>	<u><u>3,048</u></u>	<u><u>5,281</u></u>
Depreciation and impairment			
Charge for the year	1,015	2,919	3,934
Disposals	-	(2,182)	(2,182)
Disposals - discontinued operations	(741)	-	(741)
At 31 December 2019	<u>274</u>	<u>737</u>	<u>1,011</u>
At 1 January 2020	274	737	1,011
Charge for the year	366	808	1,174
Disposals	(61)	(305)	(366)
At 31 December 2020	<u><u>579</u></u>	<u><u>1,240</u></u>	<u><u>1,819</u></u>
Net book value			
At 31 December 2020	<u><u>1,654</u></u>	<u><u>1,808</u></u>	<u><u>3,462</u></u>
At 31 December 2019	<u>510</u>	<u>1,915</u>	<u>2,425</u>

Right of use assets with a net book value of £10,957k were recognised as at 1 January 2019 which were previously treated as operating leases.

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

14 Right-of-use assets (continued)

Company	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
Recognised on adoption of IFRS 16 at 1 January 2019	700	1,652	2,352
Additions	84	1,205	1,289
Disposals	-	(205)	(205)
At 31 December 2019	784	2,652	3,436
At 1 January 2020	784	2,652	3,436
Additions	1,510	701	2,211
Disposals	(61)	(305)	(366)
At 31 December 2020	2,233	3,048	5,281
Depreciation and impairment			
Charge for the year	274	821	1,095
Disposals	-	(84)	(84)
At 31 December 2019	274	737	1,011
At 1 January 2020	274	737	1,011
Charge for the year	366	808	1,174
Disposals	(61)	(305)	(366)
At 31 December 2020	579	1,240	1,819
Net book value			
At 31 December 2020	1,654	1,808	3,462
At 31 December 2019	510	1,915	2,425

Right-of-use assets with a net book value of £2,352k were recognised as at 1 January 2019 which were previously treated as operating leases.

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

15 Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
Balance at 1 January 2019	403	2,973	3,376
Additions	-	118	118
Disposals - discontinued operations	(403)	(3,091)	(3,494)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2020 and 31 December 2020	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amortisation and impairment			
Balance at 1 January 2019	-	1,433	1,433
Amortisation for the year	-	359	359
Disposals - discontinued operations	-	(1,792)	(1,792)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2020 and 31 December 2020	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 December 2020	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Goodwill relating to VolkerHighways Limited was disposed of on 31 December 2019.

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

16 Investments

Company	Shares in Group undertakings £000	Total £000
Cost		
At 1 January 2019	7,178	7,178
Disposals	(7,158)	(7,158)
At 31 December 2019	20	20
At 1 January 2020	20	20
At 31 December 2020	20	20
Net book value		
At 31 December 2020	20	20
At 31 December 2019	20	20

The Group and Company have the following investments in subsidiaries and jointly controlled entities and operations:

Subsidiary undertakings	Principal activities	Class of shares held	Ownership % 2020	2019
VolkerFitzpatrick Overseas Limited*	Civil Engineering & Construction works	Ordinary	100%	100%

* directly held by the Company

The above subsidiary undertaking is incorporated in England and Wales. The registered office address for the subsidiary undertaking is Hertford Road, Hoddesdon, Hertfordshire, EN11 9BX.

Jointly controlled operations

The Group has entered into Jointly Controlled Operations ("JCOs") with different partners for the purpose of undertaking specific contracts. The Group has recognised the assets that it controls and the liabilities that it incurs; the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the JCOs. All JCO statements of financial position are taken as at 31 December for each year end.

Group and Company	Principal activities	JCO partner(s)	Principal place of business	Ownership % 2020	2019
VFC	Construction	Colas Limited	1 & 2	50%	50%
BMV	Construction	BAM Nuttall Limited and Morgan Sindall Construction & Infrastructure Limited	1, 4 & 5	25%	25%
VFK (Luton)	Construction	Kier Infrastructure & Overseas Limited	1 & 6	50%	50%
ALIGN	Construction	Bouygues Travaux Publics SAS & Sir Robert McAlpine Limited	1, 7 & 8	20%	20%
TfL, BRE	Construction	Morgan Sindall Construction & Infrastructure Limited	1 & 5	50%	50%
VFK (Lakenheath)	Construction	Kier Construction Limited	1 & 6	40%	40%

Principal place of business

- Hertford Road, Hoddesdon, Hertfordshire EN11 9BX
- Wallage Lane, Crawley, West Sussex, RH10 0NS
- Scott House, AlenconLink, Basingstoke, Hampshire, RH10 0NS
- St James House, Knoll Road, Camberley, Surrey, GU153XW
- Kent House, Market Place, London W1W 8AJ
- Tempsford Hall, Tempsford, Bedfordshire SG19 2BD
- 1 Avenue Eugene Freyssinet, 78280 Guyancourt, France - Registered UK Branch, BecketHouse, 1 Lambeth Palace Road, London SE1 7EU
- Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TR

With the exception of ALIGN, all jointly controlled operations' partners are incorporated in England and Wales. ALIGN JCO partner Bouygues Travaux Publics SAS is incorporated in France.

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

17 Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities	
	2020 £000	2019 £000	2020 £000	2019 £000
Property, plant and equipment	7	11	-	-
Right-of-use assets	-	4	-	-
Provisions	17	12	-	-
Tax assets/(liabilities)	24	27	-	-

Company	Assets		Liabilities	
	2020 £000	2019 £000	2020 £000	2019 £000
Property, plant and equipment	7	11	-	-
Provisions	17	12	-	-
Tax assets/(liabilities)	24	23	-	-

b) Movement in deferred tax in the year

Group	1 January 2020	Charge in profit or loss	31 December 2020
	£000	£000	£000
Property, plant and equipment	11	(4)	7
Right-of-use assets	4	(4)	-
Provisions	12	5	17
	27	(3)	24

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

Company	1 January 2020	Charge in profit or loss	31 December 2020
	£000	£000	£000
Property, plant and equipment	11	(4)	7
Provisions	12	5	17
	23	1	24

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

17 Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior year

Group	1 January 2019	Charge in profit or loss	Charge in other comprehensive income	Disposed	31 December 2019
	£000	£000	£000	£000	£000
Property, plant and equipment	153	(33)	-	(109)	11
Right-of-use assets	-	13	-	(9)	4
Intangible assets	(104)	16	-	88	-
Employee benefits	(234)	(7)	(31)	272	-
Provisions	10	6	-	(4)	12
	<u>(175)</u>	<u>(5)</u>	<u>(31)</u>	<u>238</u>	<u>27</u>

Company	1 January 2019	Charge in profit or loss	Charge in other comprehensive income	31 December 2019
	£000	£000	£000	£000
Property, plant and equipment	3	8	-	11
Employee benefits	-	(1)	1	-
Provisions	1	11	-	12
	<u>4</u>	<u>18</u>	<u>1</u>	<u>23</u>

18 Inventories

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Raw materials and consumables	2,930	2,840	2,930	2,840
	<u>2,930</u>	<u>2,840</u>	<u>2,930</u>	<u>2,840</u>

Raw materials and consumables recognised as cost of sales for the continuing operations in the year amounted to £64,593k (2019: £30,016k).

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

19 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade receivables	52,365	46,359	52,346	46,340
Amounts owed by group undertakings (Note 29)	327	2,422	307	2,380
Prepayments	504	726	504	726
Other receivables	6	5	6	5
	<u>53,202</u>	<u>49,512</u>	<u>53,163</u>	<u>49,451</u>
Current	44,248	43,550	44,209	43,489
Non-current	8,954	5,962	8,954	5,962
	<u>53,202</u>	<u>49,512</u>	<u>53,163</u>	<u>49,451</u>

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

Trade receivables included retentions of £8,908k (2019: £5,961k) relating to construction contracts in progress.

20 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Cash	20,356	18,588	19,032	17,285
Cash Equivalents	80,173	106,140	80,173	106,140
	<u>100,529</u>	<u>124,728</u>	<u>99,205</u>	<u>123,425</u>

The availability of an amount of £18,928k (2019:£17,582k) is subject to restrictions. This relates to bank accounts where the use of the funds is restricted.

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

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

21 Leases

The Group and Company has leases for the land and buildings, plant and machinery, and vehicles.

The majority of vehicle leases are sublet from a fellow group undertaking (see Note 29 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 Group and Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 13). Leases of vehicles generally have a lease term of 1 to 4 years and leases of property generally have a lease term ranging from 1 to 10 years. Lease payments are all fixed amounts.

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

Amounts recognised in Income Statement

	2020 £000	2019 £000
Interest on lease liabilities (Note 10)	53	43
Expenses relating to short-term leases (Note 6)	181	307
Depreciation on right-of-use assets (Note 6)	1,174	1,095
	<u>1,358</u>	<u>1,445</u>

Lease liabilities in the Balance Sheet

	2020 £000	2019 £000
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Less than one year	1,192	1,073
One to five years	2,093	1,405
More than five years	284	-
	<u>3,569</u>	<u>2,478</u>
Lease liabilities - undiscounted cash flows	3,569	2,478
Discount	(120)	(55)
	<u>3,449</u>	<u>2,423</u>

Amounts recognised in the Statement of Cash Flows

	2020 £000	2019 £000
Payments for short-term or low value leases	181	307
Repayment of capital element of leases	1,177	3,882
Interest payments on lease liabilities	53	43
	<u>1,411</u>	<u>4,232</u>
Total cash outflow for leases	1,411	4,232

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

22 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade payables	82,832	103,201	82,797	103,191
Amounts owed to group undertakings (Note 29)	3,417	4,404	3,417	4,404
Other tax and social security costs	10,552	9,498	10,568	9,498
Non trade payables and accrued expenses	7,716	8,639	7,684	8,603
	<u>104,517</u>	<u>125,742</u>	<u>104,466</u>	<u>125,696</u>
Current	104,517	125,742	104,466	125,696
Non-current	-	-	-	-
	<u>104,517</u>	<u>125,742</u>	<u>104,466</u>	<u>125,696</u>

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

Included within Trade payables are contract accruals of £59,566k (2019: £93,406k) for the Group and £59,566k (2019: £93,406k) for the Company, which comprises of amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

23 Provisions

Group	Insurance provision £000
Balance at 1 January 2020	859
Charge to the income statement	33
Utilised in the year	(12)
Balance at 31 December 2020	880
Analysis of total provisions	
Non-current	-
Current	880
	<u>880</u>
Company	Insurance provision £000
Balance at 1 January 2020	859
Credited to the income statement	33
Utilised in the year	(12)
Balance at 31 December 2020	880
Analysis of total provisions	
Non-current	-
Current	880
	<u>880</u>

The insurance provision relates to amounts payable by the business in the future in respect of claims incurred but not reported (IBNR) at the balance sheet date.

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

24 Employee benefits

Defined benefit plans

The Group operates two defined benefit pension plans:

1. VolkerFitzpatrick Limited Pension Scheme
2. VolkerFitzpatrick Limited Greenwich Pension Scheme

VolkerFitzpatrick Limited Pension Scheme

The VolkerFitzpatrick Limited Pension Scheme is a UK registered trust based pension scheme that provides defined benefits. Pension benefits accrued prior to 1 June 1993 are linked to the members' final pensionable salaries as at 31 May 1997 (or date of leaving if earlier) and service up to 31 May 1993 (or date of leaving if earlier).

Benefits accruing between 1 June 1993 and 5 April 1997 are on a defined contribution basis but subject to a Guaranteed Minimum Pension underpin. The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

VolkerFitzpatrick Limited Greenwich Pension Scheme

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

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

Gabriel (Contractors) Limited Pension Scheme

The Gabriel (Contractors) Limited Pension Scheme was transferred out of the Group on the disposal of VolkerHighways Limited on 31 December 2019.

The risks to these funds are generic to all of them due to their composition:

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

Prior year comparative

The prior year comparative has been restated to include an equal and opposite impact on the Scheme assets and the defined benefit obligations in relation to where annuities have been taken out for certain members of the scheme. Although the value of the assets and liabilities for these members were excluded in the prior year, as they are of equal value, there is no impact to the net defined benefit asset or amounts included in profit and loss.

As a result of the restatement, the fair value of the plan assets and the defined benefit obligation both increased by £4,376k as at 31 December 2019 for the Group and the Company.

The restatement in the fair value of the plan assets as at 31 December 2019 is represented by an increase in the opening asset position of £5,387k for Group and £4,338k for Company; increase in interest income of £152k for Group and £124k for Company; decrease in return on plan assets of £185k for Group and £252k for Company; decrease in benefits paid of £39k for Group and £166k for Company; and, increase in disposals of £1,017k for Group and £nil for Company.

The restatement in the fair value of the defined benefit obligation as at 31 December 2019 is represented by a decrease in the opening liability position of £5,387 for Group and an increase of £4,338k for Company; decrease in interest expense of £152k for Group and increase of £124k for Company; increase in actuarial loss of £185 for Group and decrease of £252k for Company; increase in benefits paid of £39k for Group and decrease of £166k for Company; and, a decrease in disposals £1,017k for Group and £nil for Company.

Sensitivities have been restated to show the revised impact on the defined benefit obligation as at 31 December 2019.

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

24 Employee benefits (continued)

Group

	2020	2019 (as restated)
	£000	£000
Total defined benefit asset	17,047	15,219
Total defined benefit liability	(13,502)	(11,353)
Net asset for defined benefit obligations	<u>3,545</u>	<u>3,866</u>
Opening restriction on the defined benefit asset	(3,866)	(3,214)
Movements in the restriction included in profit or loss	(78)	(89)
Movements in the restriction included in other comprehensive income	399	(563)
Total employee benefits	<u><u>-</u></u>	<u><u>-</u></u>

Adjustment for restrictions on the defined benefit asset

The Group's defined benefit pensions schemes are currently in a surplus position based on actuarial assumptions in line with IAS 19. However, the surplus has been restricted for these schemes due to the Group not having an unconditional right to a refund of that surplus. This follows the current proposed IFRIC 14 interpretation.

Movement in net defined benefit asset

Group

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2020	2019 (as restated)	2020	2019 (as restated)	2020	2019 (as restated)
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(11,353)	(15,251)	15,219	19,838	3,866	4,587
Included in profit or loss						
Interest (cost)/income	(221)	(420)	299	549	78	129
Administration cost	(18)	(10)	-	-	(18)	(10)
	<u>(11,592)</u>	<u>(15,681)</u>	<u>15,518</u>	<u>20,387</u>	<u>3,926</u>	<u>4,706</u>
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	(683)	352	-	-	(683)	352
- Changes in financial assumptions	(1,643)	(1,614)	-	-	(1,643)	(1,614)
- Experience (loss)/gain	(235)	393	-	-	(235)	393
Return on plan assets excluding interest income	-	-	2,158	1,615	2,158	1,615
	<u>(2,561)</u>	<u>(869)</u>	<u>2,158</u>	<u>1,615</u>	<u>(403)</u>	<u>746</u>
Other						
Contributions paid by the employer	-	-	22	10	22	10
Benefits paid	651	542	(651)	(542)	-	-
Disposal - discontinued operations	-	4,655	-	(6,251)	-	(1,596)
Balance at 31 December	<u><u>(13,502)</u></u>	<u><u>(11,353)</u></u>	<u><u>17,047</u></u>	<u><u>15,219</u></u>	<u><u>3,545</u></u>	<u><u>3,866</u></u>

24 Employee benefits (continued)

Plan assets

Group	2020 £000	2019 (as restated) £000
Cash and cash equivalents	1,372	44
Equities and other growth assets	3,308	5,415
Bonds and liability driven investments	7,438	5,384
Annuities	4,929	4,376
Total	17,047	15,219

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

Actuarial assumptions

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

Group	2020 %	2019 %
Discount rate	1.2	2.0
RPI inflation	2.9	2.9
RPI inflation linked increases in deferment	2.9	2.9
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	2.9	3.1
CPI inflation	2.1	1.9
CPI inflation linked increases in deferment	2.1	1.9
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.2	3.1

The assumptions relating to longevity underlying the pension liabilities at the year-end are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Group	Male Years	Female Years
Current pensioner aged 65	21.4	23.7
Future retiree upon reaching 65 in 20 years	22.4	24.8

Sensitivity analysis

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

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

24 Employee benefits (continued)

Group	Change in assumption	2020	2020	2019	2019
		+0.5%	-0.5%	(as restated) +0.5%	(as restated) -0.5%
		£000	£000	£000	£000
Discount Rate	+/- 0.5%	(1,321)	1,379	(998)	1,202
Inflation (RPI)	+/- 0.5%	369	(369)	279	(368)

In valuing the liabilities of the pension fund at £13,502k (2019: £11,353k), mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2020 would have increased by £646k (2019: 454k as restated) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuations and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Company

	2020	2019
	£000	(as restated) £000
Total defined benefit asset	17,047	15,219
Total defined benefit liability	(13,502)	(11,353)
Net asset for defined benefit obligations	3,545	3,866
Opening restriction on the defined benefit asset	(3,866)	(3,214)
Movements in the restriction included in profit or loss	(78)	(89)
Movements in the restriction included in other comprehensive income	399	(563)
Total employee benefits	-	-

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

24 Employee benefits (continued)

Movement in net defined benefit asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2020	2019 (as restated)	2020	2019 (as restated)	2020	2019 (as restated)
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(11,353)	(10,863)	15,219	14,077	3,866	3,214
Included in profit or loss						
Interest (cost)/income	(221)	(300)	299	390	78	90
Administration costs	(18)	(8)	-	-	(18)	(8)
	<u>(11,592)</u>	<u>(11,171)</u>	<u>15,518</u>	<u>14,467</u>	<u>3,926</u>	<u>3,296</u>
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	(683)	246	-	-	(683)	246
- Changes in financial assumptions	(1,643)	(1,199)	-	-	(1,643)	(1,199)
- Experience (loss)/gain	(235)	435	-	-	(235)	435
Return on plan assets excluding interest income	-	-	2,158	1,076	2,158	1,076
	<u>(2,561)</u>	<u>(518)</u>	<u>2,158</u>	<u>1,076</u>	<u>(403)</u>	<u>558</u>
Other						
Contributions paid by the employer	-	-	22	12	22	12
Benefits paid	651	336	(651)	(336)	-	-
Balance at 31 December	<u>(13,502)</u>	<u>(11,353)</u>	<u>17,047</u>	<u>15,219</u>	<u>3,545</u>	<u>3,866</u>

Plan assets

Company	2020	2019 (as restated)
	£000	£000
Cash and cash equivalents	1,372	44
Equities and other growth assets	3,308	5,415
Bonds	7,438	5,384
Annuities	4,929	4,376
Total	<u>17,047</u>	<u>15,219</u>

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

24 Employee benefits (continued)

Actuarial assumptions

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

Company	2020 %	2019 %
Discount rate	1.2	2.0
RPI inflation	2.9	2.9
RPI inflation linked increases in deferment	2.9	2.9
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	2.9	2.8
CPI inflation	2.1	1.9
CPI inflation linked increases in deferment	2.1	1.9
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.2	3.1

The assumptions relating to longevity underlying the pension liabilities at the year-end are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:-

Company	Male Years	Female Years
Current pensioner aged 65	21.4	23.7
Future retiree upon reaching 65 in 20 years	22.4	24.8

Sensitivity analysis

Company

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

Company	Change in assumption	2020 +0.5% £000	2020 -0.5% £000	2019 (as restated) +0.5% £000	2019 (as restated) -0.5% £000
Discount Rate	+/- 0.5%	(1,321)	1,379	(998)	1,202
Inflation (RPI)	+/- 0.5%	369	(369)	279	(368)

In valuing the liabilities of the pension fund at £13,502k, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2020 would have increased by £646k before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuations and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

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

24 Employee benefits (continued)

Funding

The Trustee is required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 1 January 2020. This valuation revealed a surplus and therefore no contributions are required by the Group and the Company at this time. The Group and Company will meet all expenses directly.

Defined contribution plans

The Group also operates a number of defined contribution plans. The total expense for the Group was £4,388k (2019: £4,015k) and the creditor outstanding relating to these plans was £380k (2019: 350k).

25 Share capital

	Company and Group	
	Number of shares	Ordinary shares £000
Allotted, called up and fully paid ordinary shares of £1 each		
At 1 January 2020 and 31 December 2020	6,000,000	6,000

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

26 Dividends

An interim dividend of £12,500k representing 208 pence per share was paid during the year (2019: £22,800k representing 380 pence per share). No final dividend is payable (2019: £nil).

27 Financial instruments

a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as 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 as 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 as 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 lease liabilities, 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 or Group.

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

27 Financial instruments (continued)

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

	Note	Group		Company	
		2020 £000	2019 £000	2020 £000	2019 £000
Financial assets at amortised cost					
Trade and other receivables	19	52,698	48,786	52,659	48,725
Contract assets	4	25,762	25,006	25,762	25,006
Cash and cash equivalents	20	100,529	124,728	99,205	123,425
Total financial assets at amortised cost		178,989	198,520	177,626	197,156
Total financial assets		178,989	198,520	177,626	197,156
Financial liabilities at amortised cost					
Trade and other payables	22	86,249	107,605	86,214	107,595
Contract liabilities	4	20,693	19,936	20,693	19,936
Lease liabilities	21	3,449	2,423	3,449	2,423
Total financial liabilities at amortised cost		110,391	129,964	110,356	129,954
Total financial liabilities		110,391	129,964	110,356	129,954
Total financial instruments		68,598	68,556	67,270	67,202

Trade and other receivables above exclude prepayments and accrued income.

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

b) Credit risk

Financial risk management

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

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the year-end, namely cash and cash equivalents, trade and other receivables and contract assets. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, 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 Group's policy is to deal only with creditworthy counterparties.

The Group'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 Group'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 Group 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 Group's financial assets are subject to the Expected Credit Loss (ECL) model of IFRS 9. The Group has calculated the ECLs for financial assets at amortised cost and cash and cash equivalents as nil. In order to assess the ECLs instruments were grouped by counterparty type, age and instrument type. For further information on the Group's assessment of ECLs see the accounting policy for the impairment of financial instruments (note 2.18).

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

27 Financial instruments (continued)

Exposure to credit risk

The carrying amount of financial assets and the maximum credit exposure for the Group at 31 December 2020 was £178,989k (2019: £198,520k).

The carrying amount of financial assets and the maximum credit exposure for the Company at 31 December 2020 was £177,626k (2019: £197,156k).

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:

Group	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Building	14,662	25,189	14,662	25,190
Civil engineering	37,703	21,170	37,684	21,150
	<u>52,365</u>	<u>46,359</u>	<u>52,346</u>	<u>46,340</u>

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Public sector customers	20,179	7,919	20,179	7,919
Private sector customers	32,186	38,440	32,167	38,421
	<u>52,365</u>	<u>46,359</u>	<u>52,346</u>	<u>46,340</u>

Credit quality of financial assets and impairment losses

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

Group	2020		2019	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	47,621	-	39,242	-
Past due (0-30 days)	2,441	-	6,847	-
Past due (31-120 days)	988	-	234	-
More than 120 days	1,315	-	36	-
	<u>52,365</u>	<u>-</u>	<u>46,359</u>	<u>-</u>

Company	2020		2019	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	47,621	-	39,223	-
Past due (0-30 days)	2,441	-	6,847	-
Past due (31-120 days)	988	-	234	-
More than 120 days	1,296	-	36	-
	<u>52,346</u>	<u>-</u>	<u>46,340</u>	<u>-</u>

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

27 Financial instruments (continued)

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

At 31 December 2020 the Group and the Company had no impairment provision (2019: £nil) and did not provide against any debt during the year. For amounts which are past due at the reporting date, the Group and Company has not provided for as there has not been a significant change in credit quality and the Group and Company considers the amounts are recoverable.

Impairment losses are recorded into an allowance account unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk exposure arises for the Group and Company principally from trade and other payables, taxation due, and borrowings. The Group and Company monitor 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:

Group 2020	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and more £000
Trade and other payables	86,249	86,249	86,249	-	-	-
Contract liabilities	20,693	20,693	20,693	-	-	-
Lease liabilities	3,449	3,569	1,192	891	1,202	284
	110,391	110,511	108,134	891	1,202	284
Group 2019	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and more £000
Trade and other payables	107,605	107,605	107,605	-	-	-
Contract liabilities	19,936	19,936	19,936	-	-	-
Lease liabilities	2,423	2,478	1,073	953	452	-
	129,964	130,019	128,614	953	452	-

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

27 Financial instruments (continued)

c) Liquidity risk (continued)

Company 2020	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and more £000
Contract liabilities	20,693	20,693	20,693	-	-	-
Trade and other payables	86,214	86,214	86,214	-	-	-
Lease liabilities	3,449	3,569	1,192	891	1,202	284
	<u>110,356</u>	<u>110,476</u>	<u>108,099</u>	<u>891</u>	<u>1,202</u>	<u>284</u>
Company 2019	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and more £000
Contract liabilities	19,936	19,936	19,936	-	-	-
Trade and other payables	107,595	107,595	107,595	-	-	-
Lease liabilities	2,423	2,478	1,073	953	452	-
	<u>129,954</u>	<u>130,009</u>	<u>128,604</u>	<u>953</u>	<u>452</u>	<u>-</u>

d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the values of its holdings of financial instruments.

Exposure to foreign exchange risk in the Group is limited to a small number of contracts where purchase invoices are settled in foreign currencies. Where these purchases are deemed to be material, then the exposure to potential adverse movements in foreign exchange rates are managed through entering into hedging contracts.

Exposure to interest rate risk in the Group is principally on bank and cash deposits.

The Group does not participate in any interest rate hedge or swap arrangements.

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

27 Financial instruments (continued)

Profile of interest bearing financial instruments

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

Group	2020	2019
	£000	£000
Variable rate instruments		
Financial assets	<u>100,529</u>	<u>124,728</u>
Fixed rate instruments		
Financial liabilities	<u>3,449</u>	<u>2,424</u>
Company	2020	2019
	£000	£000
Variable rate instruments		
Financial assets	<u>99,205</u>	<u>123,425</u>
Fixed rate instruments		
Financial liabilities	<u>3,449</u>	<u>2,424</u>

At the year end the Company had no interest bearing financial instruments.

A change of 100 basis points in interest would either increase or decrease equity by £971k (2019: £1,210k) for the Group. The sensitivity of 100 basis points represents the directors' assessment of a reasonably possible change, based on historical volatility.

e) Capital risk management

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

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

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

The Group 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 Group efficiently manages its net cash position.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

28 Contingencies

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

In 2020 the Company was notified of potential claims on two projects that were approaching the end of legal and other limitation periods. The underlying technical causes of the claims are still being established and may be shown to involve other third parties; at this stage it is therefore uncertain that any liability attaches to the Company in respect of either claim. However should that not be the case, based on expert legal and technical advice to date, the Directors are confident that any settlement in relation to these claims, net of reimbursement, would not present a material impact on the financial statements.

The Company, as a result of VolkerWessels UK Limited group registration for VAT, is jointly and severally liable for the VAT liabilities of other group companies under the group VAT registration. At the accounting date, the Group liability was £17,477k (2019: £9,986k) which included an amount of £8,468k (2019: £nil) relating to the government's VAT Payment Deferral Scheme.

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

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

29 Related parties - Restated

Related party transactions - Restated

Transactions between the Group and other related parties including jointly controlled entities are noted below.

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

Compensation of key management

The compensation of key management personnel that form the Executive Committee, comprising of nine members, is as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Short-term employee benefits	1,415	1,317	1,415	1,252
Post-employment benefits (defined contribution plan)	75	80	75	79
	1,490	1,397	1,490	1,331

Pension Schemes

Transactions between the Group and the pension schemes are disclosed in Note 24 to the financial statements.

Related party transactions with fellow group undertakings

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

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts owed by fellow group undertakings				
At start of year	1,570	5,084	1,528	4,942
Sales/income	2,609	4,534	2,609	4,534
Receipts	(3,852)	(7,906)	(3,830)	(7,948)
Discontinued operations	-	(142)	-	-
At end of year	327	1,570	307	1,528

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts owed by parent undertakings				
At start of year	852	124	852	93
Sales/income	-	11,763	-	11,763
Receipts	(852)	(11,004)	(852)	(11,004)
Discontinued operations	-	(31)	-	-
At end of year	-	852	-	852

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

29 Related parties (continued)

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts owed to fellow group undertakings				
At start of year	4,404	6,703	4,404	6,197
Expenses	24,755	24,183	24,755	24,183
Payments	(25,742)	(26,482)	(25,742)	(25,976)
At end of year	3,417	4,404	3,417	4,404

Lease liabilities

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts owed to fellow group undertakings				
At start of year	1,920	6,415	1,920	1,652
New leases	696	3,484	696	1,192
Repayments	(828)	(2,944)	(828)	(841)
Disposal	-	(4,968)	-	-
Other movements	28	(67)	28	(83)
At end of year	1,816	1,920	1,816	1,920

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

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Cash Pooling Balances with Group undertakings		Restated		Restated
At start of year	106,140	76,660	106,140	76,660
Movements in cash pool balance	(25,967)	29,480	(25,967)	29,480
At end of year	80,173	106,140	80,173	106,140

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

30 Ultimate parent company and parent undertaking of largest group of which the company is a member

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

The ultimate parent and largest group in which the results of the Company for this period are included is Koninklijke VolkerWessels B.V., a company incorporated in the Netherlands. Copies of the published consolidated financial statements may be obtained from its Amersfoort office: Podium 9, 3826 PA Amersfoort, P.O. Box 2767, 3800 GJ Amersfoort, The Netherlands.