VolkerFitzpatrick

VolkerFitzpatrick Limited

Annual Report and Financial Statements

Registered number 02387700

31 December 2017

VolkerFitzpatrick Limited
Contents

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Principal activities

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

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

	2017	2016
	£000	£000
Revenue	**433,422**	543,823
Gross profit	**34,930**	37,239
Gross profit margin	**8.1%**	6.8%
Operating result	**9,755**	10,239
Operating result margin	**2.3%**	1.9%
Net cash	**82,159**	75,271
Net assets	**57,666**	52,590
Forward secured order book	**656,300**	696,325

Non-financial key performance indicators are considered in the Corporate Responsibility section of this report.

Business review

Like many industries in the UK, construction has experienced a year coloured by the political and economic uncertainty arising from the ongoing 'brexit' process. Whilst there has been much speculation around the conditions that will exist after March 2019, the lack of real progress to date on trade negotiations with the EU has led to more caution in our markets as opposed to any substantial tangible impacts. It is clear that whatever trading environment eventually results from 'brexit', the outcomes are likely to be complex and varied across the main sectors of the industry, and may well present as many opportunities as threats to main contractors.

Whilst 'brexit' considerations have added to an already challenging environment there has been evidence this year that our markets remain attractive to new entrants, particularly from overseas. With these entrants keen to gain a foothold in the UK, and existing competitors seeking growth in market share, in some sectors we have seen a worrying trend towards the bidding for work at low and unsustainable margins.

In uncertain times, the financial resilience of the supply chain remains a concern, but increasingly this year we have also seen a growing challenge arising from the availability of labour. With major infrastructure schemes such as HS2 beginning to move into its construction phase this is likely to remain a key theme for the industry in the medium term.

Against this backdrop, the Group has performed well this year delivering a strong set of results that are in line with our strategic objectives for growth of operating profit margin return and maintenance of balance sheet strength.

Revenues for the year were £433.4m, a reduction of £110.4m on those of 2016. This reduction reflects the completion of a number of major rail depot projects during the prior year, and early 2017, and an increased level of competition within the industrial and distribution building market. The rail depot business is historically cyclical, with timing of these specialised works following award of major route franchises to train operating companies. The reduction in our revenue in that sector is a product of this cycle with the absence of new schemes coming to market to replace those completed.

In contrast to revenue, at 8.1% the gross profit margin return for the year was 1.3% higher than that achieved for 2016. This improvement is a result of our continued focus on high quality operational delivery, adding value for our clients, and appropriate management of risk throughout the life cycle of our projects.

After considering overheads, our operating profit margin also improved in the year to 2.3% from 1.9% in 2016. This translates to a reduction of just £0.4m in operating profit (to £9.8m) compared to the prior year achievement on revenue some 20% lower.

Business review (continued)

In terms of the major project deliveries behind this performance, we successfully completed our works on Ilford Yard Stabling Project for Crossrail during the year, and made significant progress on major schemes for Network Rail such as the West Anglian Main Line Capacity Expansion, and for Cambridgeshire County Council on the Ely Southern Bypass. We have also delivered increased volumes of work on our highways term maintenance contracts this year, following the success in securing our position on a number of long term frameworks during 2016. 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 addition to the strong operating result performance for the year, the Group maintains a strong financial position. Net Assets at 31 December were £57.7m (2016 £52.6m), supported by net cash of £82.2m (an improvement of £6.9m compared to 2016). The Director's view the Group's robust short-term liquidity, as reflected in its Net Current Asset position of £52.5m (2016 £39.4m), as providing the Group not only with sufficient resilience to respond to unforeseen events, but also as enabling targeted ongoing investment in improvements to the business.

The forward secured order book at 31 December was £656.3m (2015 £696.3m), a marginal reduction on the 2016 closing position, reflecting the delivery of highways terms maintenance works under long term framework agreements secured largely in the prior year.

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.

Behind the reported financial performance of our business, the Experience Excellence programme continues 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 and Future Developments

The Group organises and manages its activities through its trading subsidiaries 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. Today, 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.

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 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.

A key scheme that was completed during 2017 was the Ilford Yard Stabling Project for Crossrail which will provide additional stabling and maintenance facilities for the Crossrail trains adjacent to the Great Eastern Main Line between Ilford and Seven Kings.

Additionally we completed the delivery of modification of four rail roads within the live environment of the Temple Mills Depot for Eurostar and a new train care depot for Hitachi in Doncaster which will provide stabling and maintenance for trains operating on the East Coast mainline.

Doncaster represents the fourth depot that we have delivered for Hitachi's new Super Express Trains on the Intercity Express Programme. Having previously completed new depots in Bristol and Swansea significant additional works were awarded to us in 2017 at both of those locations.

Operational Review and Future Developments (continued)
VolkerFitzpatrick Limited (continued)

Rail Infrastructure

VolkerFitzpatrick has continued working in partnership with the Network Rail Investment Programme Team (along with sister companies VolkerRail, VolkerHighways and VolkerLaser) to provide integrated solutions for Network Rail through 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. 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. During December 2017 we were awarded a 1 year extension to the existing 5 year framework.

The new Cambridge North station opened to passengers in May 2017 - construction commenced in 2015, starting with the realignment of the underused Chesterton sidings which opened up the brownfield site for development. Over the two-year lifespan of the project, it has taken months of meticulous planning, 700,000 hours of labour and 11 successful possessions to build the station on the operational West Anglia Main Line.

Works on the major Enhancement scheme at Hackney Wick Station, which is a TfL operated Overground Station, owned by Network Rail, continued in earnest with a new 2,000 tonne concrete pedestrian subway installed in just four days over the Easter weekend.

Following the award from Network Rail in 2016 to upgrade the West Anglia Main Line (WAML) which is intended to address the medium term demand arising from industrial and residential developments in the vicinity of Lea Bridge, Tottenham Hale, Northumberland Park and Angel Road stations, our teams have now mobilised and are working over the full length of the 6.5km project.

The key works so far include the removal and replacement of a double track bridge over the River Lea Navigation, commencement of work for a new landmark station at Meridian Water replacing Angel Road Station (stimulating local growth and regeneration as part of the London Borough of Enfield and the Greater London Authority's strategic vision), and the commencement of track bed works to the length of the project.

The project also includes significant upgrades to two existing stations at Northumberland Park and Tottenham Hale, where regeneration has been targeted and passenger increases are forecast, plus the provision of 6.5km of new track adjacent to the existing network on the Stratford-Cambridge Lines. Works are proceeding to plan on all fronts to provide the scheduled upgraded passenger service planned for May 2019.

The policy of utilising local SMEs has been to the fore when procuring our supply chain which, when linked to our drive to offer apprenticeships to promising local talent plus volunteer work in the community, has paid dividends in helping stimulate growth and to leave a significant legacy in the area.

High Speed Two

In July 2017, ALIGN (the Joint Venture of Bouygues Travaux Publics, Sir Robert McAlpine, and VolkerFitzpatrick) was awarded the £965m Chilterns Tunnels and Colne Valley Viaduct main works civils contract (Lot C1), 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 build 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 18.8km-long Chiltern twin-tunnels.

During the first stage of the contract, ALIGN will complete the scheme design, produce the construction programme and launch its key procurement activities. Following Stage One - an expected 16-month period - HS2 will issue notice to proceed with Stage Two, including the implementation of detailed design and construction works.

Airports

With 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 to reduce the impact of our works on customers and end users.

During 2017 we completed Taxiway Hotel at Stansted Airport, the resurfacing of Glasgow Airport Runway and a number of new aircraft stands at Edinburgh Airport.

Operational Review and Future Developments (continued)
VolkerFitzpatrick Limited (continued)

Airports (continued)

Our work at military air bases continued during the year, including a range of activities through the United States Airforce Framework including paving quality concrete and infrastructure works at RAF Welford and RAF Lakenheath.

A project award to construct a new Mass Passenger Transit at Luton Airport in December (in joint venture with Kier Infrastructure and Overseas Limited) consolidated our position as one of the UK's leading airport infrastructure contractors.

Roads and Highways

VolkerFitzpatrick has an good track record of delivering highways schemes in 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.

Works continued during the year on major schemes at Ely Southern Bypass, and on the M5 motorway at Oldbury Viaduct in the Midlands to refurbish the existing structure. The latter was awarded in 2016 under the Collaborative Delivery Framework with Highways England.

In addition we started work resurfacing and carrying out other highway works on the M1, A1 and A14 as part of a project for the Operations Directorate of Highways England.

A significant success at the end of December saw VolkerFitzpatrick awarded works for Public Health England. VolkerFitzpatrick is one of three contractors to have been selected to deliver the key elements of the £400m capital spend programme to create a public health science campus in Harlow, Essex. Our works are for the provision of site-wide infrastructure including car parking, external works and energy centre.

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.

During the year we completed new infrastructure at Northampton University's Waterside Campus. This project included a 46.5m span steel box girder viaduct across the River Nene and a novel S shaped footbridge to provide pedestrian access into the new development.

In July 2017 we also completed a 10m high concrete retaining wall at the International Quarter Stratford, London for Lend Lease. Designed to retain a new area of development, immediately adjacent to the Docklands Light Railway, the wall will be landscaped and hosts insects and birds to form one of the largest 'living' walls in the UK.

Ports and Marine

Our work supporting the Port of Felixstowe continued with our appointment to design and construct 13 hectares of paved container yard. VolkerFitzpatrick will be working together with our sister company VolkerStevin to reclaim circa 3.2 hectares of seabed. This area will then be paved utilising our own site based concrete batching plant and paving equipment.

VolkerFitzpatrick are working with sister company VolkerStevin on the Thames Tideway Tunnel project to upgrade London's sewerage system. Our work on the East section of the project (for the CVB joint venture) involves extensive piling and imported fill to reclaim land for locating the access shafts for the tunnelling and to provide storage for tunnelling materials.

Commercial Building

VolkerFitzpatrick continued to develop their reputation for quality delivery and service to clients in the commercial office sector during 2017, particularly in central London with the completion of 55 King William Street, 47 – 53 Queen Anne Street and 77 Fulham Palace Road. The performance this year has demonstrated a strong delivery capability and expertise around the significant challenges of working in central London.

The growing reputation has presented a good pipeline of opportunity for 2018 with schemes in central London and within the M25. The central London market has seen increased acquisition activity from overseas investors however the speed at which this will convert to actual development is anticipated to be impacted by the ongoing uncertainty surrounding brexit. Aligned with VolkerFitzpatrick's improved profile in the sector has been the early engagement with clients at the front end of schemes.

Operational Review and Future Developments (continued)
VolkerFitzpatrick Limited (continued)

Industrial & Distribution

VolkerFitzpatrick has been a market-leading contractor 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 2017, we have seen highly competitive market conditions as our main competitors have been looking to secure market share. Our focus has been on closer engagement with our market active key customers, communicating through our bids the value of our track record and reliability of delivery. This has delivered some key wins totalling in excess of 1,000,000 ft^2 of new space to be delivered to the market in 2018.

Whilst the year commenced with low activity levels in the sector influenced by a lack of speculative development in the distribution and logistics space market, the year ended with significantly improving signs of tenant led supply requirements moving developers to the delivery phase. Key project wins in the year included Sites 520 and 340 at Magna Park, Milton Keynes for IDI Gazeley, and a scheme for Logicor at Tamworth.

Special Projects

The VolkerFitzpatrick Special Projects team specialise in delivering smaller building projects across the key industry sectors. The team brings to clients 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 projects nationwide including locations at South Shields, Basingstoke, Warrington, St Albans, Boston and London. This year saw the completion of the Nine Elms Distribution Centre, which is the largest project delivered by VolkerFitzpatrick under the current framework.

Other notable projects include The Battle of Britain Visitor's Centre in Uxbridge. This modern building celebrating a period of national historical importance demonstrated not only the capability to deliver architecturally challenging new build projects but also underpinned the diversity of expertise of the team. Similarly of notable importance to London, the team have been entrusted with delivering 'mission critical' training facilities at Ilford for Crossrail.

VolkerHighways Limited

VolkerHighways specialises in public and private sector highways and lighting term maintenance contracts, civil engineering, and civil engineering/public realm projects. Specialist divisions provide surfacing, traffic management and street lighting services to both the highways and lighting term maintenance contracts as well as other VolkerWessels UK Group companies and external private and public sector clients.

Highways Term Maintenance Contracts

Through our highways term maintenance contracts VolkerHighways maintain in excess of 6,200 kilometres of highway network. This includes A roads, principal urban traffic routes, as well as local residential and rural roads. Our responsibilities include the maintenance of all associated footpaths, lighting and highways structures. This service also includes all aspects of the highway network management from emergency response, managed through our own call centre, to planned infrastructure enhancement works and winter gritting services. On our Royal Borough of Windsor and Maidenhead contracts we are also responsible for street cleansing.

Street Lighting

VolkerHighways continues to build up its street lighting capability through the National Electrical Registration Scheme (NERS) which now means we can undertake power connections to metered and unmetered power sources. This brings enhanced programme certainty to clients as we are not reliant on the power network contractors for connections. This investment has helped VolkerHighways deliver further Light Emitting Diode (LED) conversion programmes including for the London Borough of Barking & Dagenham. The existing LED contracts in Poole/Bournemouth and Slough/Wokingham/Reading have continued through the year with enhanced environmentally friendly lighting now in place across these boroughs saving many thousands of pounds in electricity consumption.

Operational Review and Future Developments (continued)
VolkerHighways Limited (continued)

CVU - London Highways Alliance Contract (LoHAC)

CVU maintains the central area of Transport for London's highway which comprises some 2,868km of highway infrastructure across 11 London Boroughs.

2017 continued to be challenging for our joint venture, CVU; the joint venture has undertaken a number of major projects on both the TfL and borough networks. TfL's revenue budget has been severely affected by changes in funding which has led to turnover decreasing and overall margins tightened. To meet the challenge of reduced TfL income CVU has increased both London Borough work and third party works on public realm projects. Further constraints to the TfL budgets are expected to impact future volumes and continue to be closely monitored by management.

An onerous contract provision has been recorded in regards to the CVU contract in the current financial statements reflecting an anticipated reduction in work awarded. It is expected that the cost to provide contractually agreed services will exceed the revenue generated due to this reduction. On 24 April 2018 an agreement was signed with TfL to exit the contract on the 20 May 2018. Management are still assessing the impact of this agreement however the amount provided at year-end is still considered to be valid.

Work within the LoHAC framework in London means that we are directly benchmarked against three other Service Providers. We ended the year in first place based on the contract performance indicators and our customers are extremely pleased with the reliable, value for money, quality service we deliver.

Related Specialist Services

VolkerHighways has continued to build capacity to self-deliver lighting, surfacing and traffic management across our term maintenance contracts in Camden, Hackney, Luton, Medway and West Berkshire and across the VolkerWessels UK Group. Our surfacing and lighting divisions have supported VolkerFitzpatrick including works on Cambridge North railway station, as well as surfacing works at Cromer for VolkerStevin. Outside of our term maintenance contracts and work for other Group companies in the year we have also delivered surfacing contracts at the London Borough of Haringey, Section 278 works for Redrow Homes in Kent, and a new test road for autonomous vehicles for Cranfield University. Our traffic management team has also provided traffic management solutions for RMS on the A13, and for VolkerRail in Croydon for tram works.

In 2018 VolkerHighways will be launching Volker Smart Technologies which aims to develop existing electrical capability in the emerging sector of car charging, city centre WIFI, fibre and autonomous vehicle controls. These are the markets that are currently being heavily invested in by the government, as well as private investment, and we anticipate the markets for both sectors to increase year on year for the foreseeable future. In addition to charge points and fibre we will be seeking entry into the installation markets for 5G, smart cities, and autonomous vehicle controls, markets which are currently in their infancy. As well as these sectors we will continue to develop in more mature markets such as variable message signs, which aligns well with our independent connections provider and mast arm businesses.

VolkerFitzpatrick Overseas

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

The Company has assessed several further non-UK based project opportunities during the year. 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.

Operational Review and Future Developments (continued)

Secured order book

Throughout the year the Group has continued its clear focus on the selection of high quality opportunities for tendering with blue chip and public sector clients.

At 31 December 2017 the Group's secured order book stood at £656.3 million which, although a marginal reduction on the prior year, continues to illustrate the ongoing strength of our pipeline.

Major contract wins in 2017 included Felixstowe Berth 9 Yard Extension, Site 520 Magna Park at Milton Keynes, Luton Airport Mass Passenger Transit Scheme (in Joint Venture with Kier Infrastructure and Overseas Limited), and HS2 Main Works Lot C1 (in Joint Venture with Bouygues Travaux Publics SAS and Sir Robert McAlpine).

Following the successful securing of a number of Local Authority term maintenance contracts during 2016, the focus for VolkerHighways during this year was on the ongoing successful delivery of the works under those contracts.

Looking forward, 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 prevailing market conditions or economic uncertainties.

Going Concern

Given the Group's net cash 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).

Corporate Responsibility

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

Health and safety

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

Well established behavioural programmes have enabled our workforce, employees and supply chain, to actively engage in maintaining a safe working environment; introducing a range of proactive and preventive improvements to how we conduct our operations. Specifically, our 'Plan, Attitude, Lead and Share' (PALS), and 'Protect our People' programmes have driven down our Accident Frequency Rate (AFR) which is in the top quartile of the construction industries best performing companies. We have seen exceptional results across the group with continued improvements, the most notable being:

- A 6% reduction in the number of Lost Time Accidents
- Approximately 6.8 million man hours completed with only 6 RIDDOR reportable accidents (Our AFR of 0.09 compares to the 2016-17 industry average of 0.20)
- Numerous projects completed without any accidents

Also, the continued focus on hazard, near misses and close calls has seen a 2% increase in reporting with over 10,500 reports raised. This, together with sustained performance in our Considerate Constructors Scheme score (our average being approximately 10% above the industry norm), has again raised our standards and we continue to make our sites safer places to work.

We continue to focus on reducing the number of service strikes within the business, and through schemes such as our Service Location and Avoidance Programme, launched in 2014, we are seeing significant progress in this area. Working with our supply chain, and building on the good work done in 2016, we have seen a 7% annual reduction in service strikes in 2017 and have built a platform for further improvements in 2018.

Corporate Responsibility (continued)

Health and Safety **(continued)**

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 continue to hold Occupational Health (OH) drop in clinics across all our projects and in 2017 our OH nurse saw over 1,200 people from both our direct staff and supply chain. We have seen a reduction in the number of people referred to their GP's for high blood pressure, cholesterol and blood sugar.

Sustainability

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

Areas of focus:

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

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

An example of our efforts in this area is provided by our quality improvement strategy, launched in 2012, which is an integral part of our Experience Excellence programme, and continues to drive improvements in our use of benchmarks and management of the risks to quality of our finished product with an increase in work produced Right First Time.

Where possible we also employ new technology in support of our objectives. In VolkerHighways we have developed and implemented our own Strategic Management and Recording Tool (SMART). The product of 5 years of investment, working collaboratively with clients, this tool is a bespoke works order system that supports the business' end-to-end works order process, payment and workforce management. This tool now plays an important part in how we deliver our effective, value for money services in that business.

Integrity

Integrity is of paramount importance - it is one our core values.

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

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

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

Corporate Responsibility (continued)

Giving back to the community

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

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

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 support building projects embarked on by Raleigh International in third world countries.

Recognition and Awards

We are always delighted when our project teams and business are recognised by our industry, and in 2017 we received a number of awards and commendations including:

VolkerFitzpatrick:

- CEEQUAL (Good) – Doncaster Carr Depot
- Women into Construction – Commendation
- CIWM Most Sustainable Construction & Demolition Project Award – Ely Southern Bypass
- Network Rail Aspire Award – Long John Hill Bridge Replacement
- Considerate Constructors National Award – Silver – London Academy of Music and Dramatic Art
- Considerate Constructors National Award – Silver – Ilford Yard Stabling Depot
- Considerate Constructors National Award – Bronze – Hornsey Depot
- Considerate Constructors National Award – Bronze – Watford Health Campus
- Considerate Constructors National Award – Bronze – Lewisham Site Wide Infrastructure
- British Safety Council International Safety Award with Merit – West Anglia Main Line Capacity Expansion
- British Safety Council International Safety Award with Merit – Temple Mills Depot
- Green Apple Award for environmental best practice – Romford Walkway
- Green Apple Award for environmental best practice – Cambridge North Station
- Construction News Award – Project of the Year (£10m - £20m) Finalist – Watford Health Campus
- RoSPA Gold Medal Award – 9th consecutive award

VolkerHighways:

- Green Apple Award for environmental best practice – Bronze award
- RoSPA Gold Medal Award - 7th consecutive gold
- British Safety Council International Safety Award with Merit - London Borough of Camden

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.

Health, safety and quality

Risk and Impact	Mitigation
We recognise that we have a duty of care for the health, safety and welfare of our employees and those that may be affected by our activities. The risk is that the nature of our construction activities could cause harm to our employees and other stakeholders through injuries, health implications, damage and financial loss. This in turn can lead to reputational damage and enforcement action.	• Culture, policy and strategy established by effective leadership • Clearly defined management systems, registered to ISO and OHSAS standards • Interfaces and responsibilities that are understood and accepted by all • Board level focus on all HSEQ matters • Behavioural programmes and Health and well-being programmes • Corporate governance, inspection and audit

People, culture and values

Risk and Impact	*Mitigation*
Our success is dependent on the recruitment, development, wellbeing and retention of our exceptional people who share our core values and culture. The risk is that we are unable to recruit or retain adequate high quality resources to deliver our programmes.	• 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 and new Learning Management System • Co-ordinated Graduate and Apprenticeship programmes • Senior leadership and development programmes • Employee survey to obtain regular feedback

Pre-construction

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

Engineering and operational delivery

Risk and Impact	*Mitigation*
Successful delivery of our complex engineering and construction projects is dependent on the effective implementation and maintenance of operational and commercial procedures and controls. Failure to deliver projects on time, budget and to an appropriate quality could result in contract disputes and cost overruns which in turn will impact our profitability and reputation.	• Recruitment and retention of capable people and supply chain • Procure quality components through sustainable and ethical sourcing • Deliver projects that demonstrate excellence in design and construction • Ensure high quality standards through audit and application of lessons learnt • Appropriate insurance policies in place

Risk Management (continued)

Environmental

Risk and Impact	Mitigation
We are very aware that construction has a significant effect on the environment and the communities in which we work. Adverse impacts on the environment and breaches of legislation can lead to environmental harm, reputational damage and enforcement action.	• Culture, policy and strategy established by effective leadership • Board level focus on all HSEQ matters • Clearly defined management systems, registered to ISO standards • Interfaces and responsibilities that are understood and accepted by all • Behavioural programmes • Inspection and audit

Systems and processes

Risk and Impact	Mitigation
We are dependent on the quality of our processes, controls and systems as well as the continued availability and integrity of IT systems to record and process data. Failure to control, manage and invest in our systems and processes including the IT environment will result in us not meeting the future needs of the business in terms of expected growth, security and innovation.	• Continue Investing in systems and processes that enable efficient and effective operations • Clearly defined management systems, interfaces and responsibilities that are understood and accepted by all • Monitor and control all aspects of IT systems access and performance • Appropriate contingency plans to mitigate risk of systems loss • Regular review and testing of data security controls

Adequacy of insurance

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

Financial risk

Risk and Impact	Mitigation
It is essential to fully understand the financial position of our partners in all of our contractual relationships. Failure of our partners including financial institutions, customers, joint-venture partners and our supply chain could potentially affect short-term cash flows.	• Due diligence including credit reviews of our clients, 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

Fraud

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

Risk management (continued)

Political, market and economic risk	
Risk and Impact	Mitigation
Political, market and economic factors play a significant part in investment decision making for our clients as well as pricing and availability of our supply chain and other partners. Changes in the economic environment, government policy and regulatory developments may impact on the number of new projects in the market, and the cost of delivering those projects, which in turn may impact on the profitability and cash flow of the business. The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets.	• Key individuals responsible for monitoring changes in legislation to adapt or react appropriately to policy changes. • Regular reviews to ensure that we are not overly exposed to any one aspect of market risk • 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 • Actively monitor the situation with respect to the UK leaving the European Union and anticipate or respond to any risks or opportunities this might present

Our People

At VolkerFitzpatrick Limited we understand that our people are critical to our success. We pride ourselves on having a strong culture of commitment, dedication and hard work, demonstrated through the high level of loyalty we see in throughout our organisation.

We are passionate about enabling growth and development for all our people, no matter what their level of experience with us. It is with this focus that we continued to make a significant investment in learning and development throughout 2017.

Nurturing new talent

We recognise the challenges that exist in our industry to fill the skills gap, especially as the government's infrastructure plan is initiated. We are committed to continuing our apprentice and graduate programmes, developing early careers in the industry to support the next generation of engineers, surveyors, project managers and other construction critical roles.

We are particularly proud of our graduate schemes, which now cover Civil Engineering (ICE), Surveying (RICS) and Construction Management (CIOB). These, and our apprenticeships and work placements are a central part of our future skills and talent strategy. All of our early talent programmes are supported by our experienced managers through mentoring and coaching, enabling the sharing of a wealth of knowledge and experience in engineering and construction.

We also 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.

Equality, diversity and inclusion

We are committed to creating a diverse and inclusive environment for all those we work with: our dedicated and ambitious people, our supply chain and partners, and our clients and local stakeholders.

We are proud of who we are and the inclusive way we work, with a collective goal of "working together to experience excellence for our clients and our teams". 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.

Equality, diversity and inclusion for us is:

- Making sure every one of our current and future employees feel welcome, valued and respected and are motivated to perform at their personal best
- Creating high performing teams by bringing together different opinions and perspectives to deliver better solutions for our clients and opportunities for our people and our organisation
- Driving continuous improvement processes to maintain and enhance a diverse and inclusive environment
- Embedding a culture of diversity and inclusion through consistent key messages across our business
- Encouraging and attracting people from all ages and backgrounds through local and national recruitment in addition to engaging in education, graduate and apprenticeship programmes.

Our People (continued)

Learning, development and career management

Throughout 2017, we continued to strengthen and embed our learning and development approach, building on the work that we started in 2016.

We have developed a behavioural and technical competency framework, specific to our organisation and people, which helps guide individuals and their managers in having productive and proactive discussions about learning and development and their career aspirations. This is underpinned by online systems to help track and record development goals and actions, by a dedicated learning and development team and operates under the sponsorship and support of our senior management.

We have clearly set out career paths for all our job families and actively encourage discussion on future career progression and ambitions. We promote opportunities internally to make sure team members gain the right experience at the right time.

We encourage all types of learning, not just classroom based teaching; our focus is increasingly on individually targeted coaching, mentoring and on-job learning. We look to supplement the technical skills required with the appropriate business management and leadership skills to enable our people to progress in our organisation with confidence.

Supply chain management

Supply chain management is an integral part of the Group's commitment to offering our clients a quality service. We establish mutually rewarding, on-going 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 partners are thoroughly assessed against a number of criteria including health & safety performance, design and technical capability, financial strength and ethical working practices.

As part of the VolkerWessels UK Group, our businesses are also signatories to the Prompt Payment Code sponsored by the Department for Business, Energy & Industrial Strategy. As signatories we undertake to:

- Pay suppliers on time
    - Within the terms agreed at the outset of the contract
    - Without attempting to change payment terms retrospectively
    - Without changing practice on length of payment for smaller companies on unreasonable grounds
- Give clear guidance to suppliers
    - Providing suppliers with clear and easily accessible guidance on payment procedures
    - Ensuring there is a system for dealing with complaints and disputes which is communicated to suppliers
    - Advising them promptly if there is any reason why an invoice will not be paid to the agreed terms
- Encourage good practice
    - By requesting that lead suppliers encourage adoption of the code throughout their own supply chains

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

By order of the Board

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

14 June 2018

Company registered number: 02387700

VolkerFitzpatrick Limited
Directors' Report
for the year ended 31 December 2017

The Directors present their annual Directors' Report and audited financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the financial year after taxation was £7,907,000 (2016: £8,323,000). An interim dividend of nil was paid in the year (2016: £5,000,000). The Directors do not recommend the payment of a final dividend (2016: £nil).

Directors

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

RA Offord
AR Robertson
NA Connell
CS Humphrey
JM Suckling
MG Woods
VolkerWessels UK Limited

Directors' indemnities

The Group has arranged qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Employees

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

The culture of the 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 employees' 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.

Political and charitable contributions

The Company made knowledgeable charitable donations of £70,000 in 2017 (2016: £55,000). Neither the Company nor any of its subsidiaries made any knowledgeable political donations or incurred any political expenditure during the year (2016: £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 is given in note 22 of the financial statements.

Disclosure of information to auditor

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

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

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

By order of the Board

14 June 2018

Company registered number: 02387700

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Directors' Responsibilities Statement
for the year ended 31 December 2017

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

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

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

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

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

Independent Auditor's Report to the Members of VolkerFitzpatrick Limited for the year ended 31 December 2017

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's Profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of VolkerFitzpatrick Limited (the 'parent company') and its subsidiaries (the 'group') 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 28.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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 Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

Statutory Auditor
London, United Kingdom

14 June 2018

VolkerFitzpatrick Limited
Consolidated Income Statement
for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Revenue	*3*	**433,422**	543,823
Cost of sales		**(398,492)**	(506,584)
Gross profit		**34,930**	37,239
Administrative expenses		**(25,175)**	(27,000)
Operating result	*4*	**9,755**	10,239
Financial income	*7*	**225**	196
Financial expense	*8*	**(26)**	(12)
Profit before tax		**9,954**	10,423
Taxation	*9*	**(2,047)**	(2,100)
Profit for the year		**7,907**	8,323
Profit attributable to:			
Equity holder of the parent company		**7,907**	8,323
		7,907	8,323

All results derive from continuing operations.

The notes on pages 28 to 65 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Profit for the year		7,907	8,323
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Actuarial gains on defined benefit pension plans	19	488	719
Adjustment for restrictions on the defined benefit asset	19	(3,899)	-
Tax recognised on actuarial gains/(losses)	9	580	(122)
Other comprehensive (expense)/income for the year, net of income tax		(2,831)	597
Total comprehensive income for the year		5,076	8,920
Total comprehensive income attributable to:			
Equity holder of the parent company		5,076	8,920
		5,076	8,920

The notes on pages 28 to 65 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
as at 31 December 2017

	Note	2017	2016
		£000	£000
Non current assets			
Property, plant and equipment	10	411	463
Intangible assets	11	2,263	2,079
Trade and other receivables	15	2,765	6,462
Deferred tax assets	13	247	190
Employee benefits	19	1,509	4,792
Total non current assets		7,195	13,986
Current assets			
Inventories	14	2,792	2,054
Trade and other receivables	15	87,357	101,802
Cash and cash equivalents	16	82,159	75,271
Total current assets		172,308	179,127
Total assets		179,503	193,113
Equity attributable to equity holder of the parent			
Share capital	20	6,000	6,000
Retained earnings		51,666	46,590
Total equity		57,666	52,590
Non current liabilities			
Provisions	18	1,635	-
Deferred tax liabilities	13	405	814
Total non current liabilities		2,040	814
Current liabilities			
Trade and other payables	17	117,286	138,462
Provisions	18	1,565	-
Tax payable		946	1,247
Total current liabilities		119,797	139,709
Total liabilities		121,837	140,523
Total equity and liabilities		179,503	193,113

The notes on pages 28 to 65 form an integral part of the consolidated financial statements.
These financial statements were approved by the board of directors on 14 June 2018 and were signed on its behalf by:

Company registered number: 02387700

VolkerFitzpatrick Limited
Company Statement of Financial Position
as at 31 December 2017

	Note	2017 £000	2016 £000
Non current assets			
Investments	12	7,178	7,178
Trade and other receivables	15	1,971	5,687
Deferred tax assets	13	7	3
Employee benefits	19	-	3,652
Total non current assets		9,156	16,520
Current assets			
Trade and other receivables	15	62,437	88,956
Cash and cash equivalents	16	71,132	67,381
Total current assets		133,569	156,337
Total assets		142,725	172,857
Equity attributable to equity holder of the company			
Share capital	20	6,000	6,000
Retained earnings		46,664	42,572
Total equity		52,664	48,572
Non current liabilities			
Deferred tax liabilities	13	-	621
		-	621
Current liabilities			
Trade and other payables	17	89,441	122,615
Tax payable		620	1,049
		90,061	123,664
Total liabilities		90,061	124,285
Total equity and liabilities		142,725	172,857

The profit for the parent company for the year was £7,206,000 (2016: £10,165,000).

The notes on pages 28 to 65 form an integral part of the consolidated financial statements.

These financial statements were approved by the board of directors on 14 June 2018 and were signed on its behalf by:

Company registered number: 02387700

VolkerFitzpatrick Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Attributable to equity holders of parent		
	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	6,000	42,670	48,670
Comprehensive income			
Profit for the year	-	8,323	8,323
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	597	597
Total comprehensive income	-	8,920	8,920
Transactions with owners			
Dividends payable (note 21)	-	(5,000)	(5,000)
Balance at 31 December 2016	**6,000**	**46,590**	**52,590**
Balance at 1 January 2017	6,000	46,590	52,590
Comprehensive income			
Profit for the year	-	7,907	7,907
Other comprehensive expenses			
Actuarial losses on defined benefit pension plans, net of tax	-	(2,831)	(2,831)
Total comprehensive income		5,076	5,076
Balance at 31 December 2017	**6,000**	**51,666**	**57,666**

The notes on pages 28 to 65 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	6,000	36,866	42,866
Comprehensive income			
Profit for the year	-	10,165	10,165
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax	-	541	541
Total comprehensive income	-	10,706	10,706
Transactions with owners			
Dividends payable (note 21)	-	(5,000)	(5,000)
Balance at 31 December 2016	6,000	42,572	48,572
Balance at 1 January 2017	6,000	42,572	48,572
Comprehensive income			
Profit for the year	-	7,206	7,206
Other comprehensive expenses			
Actuarial losses on defined benefit pension plans, net of tax	-	(3,114)	(3,114)
Total comprehensive income	-	4,092	4,092
Balance at 31 December 2017	6,000	46,664	52,664

The notes on pages 28 to 65 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities	23	8,027	6,258
Interest paid		(10)	(15)
Tax (paid)/received		(583)	287
Net cash from operating activities		7,434	6,530
Cash flows from investing activities			
Interest received		94	52
Acquisition of plant, property and equipment		(117)	(152)
Acquisition of intangible fixed assets		(523)	(241)
Net cash used in investing activities		(546)	(341)
Cash flows from financing activities			
Dividends paid to Company's shareholders		-	(5,000)
Net cash used in financing activities		-	(5,000)
Net increase in cash and cash equivalents		6,888	1,189
Cash and cash equivalents at 1 January		75,271	74,082
Cash and cash equivalents at 31 December	16	82,159	75,271

The notes on pages 28 to 65 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities	23	4,017	5,181
Interest paid		(1)	(6)
Tax (paid)/received		(358)	334
Net cash from operating activities		3,658	5,509
Cash flows from investing activities			
Interest received		93	43
Net cash from investing activities		93	43
Cash flows from financing activities			
Dividends to Company's shareholders		-	(5,000)
Net cash used in financing activities		-	(5,000)
Net increase in cash and cash equivalents		3,751	552
Cash and cash equivalents at 1 January		67,381	66,829
Cash and cash equivalents at 31 December	16	71,132	67,381

The notes on pages 28 to 65 form an integral part of the consolidated financial statements.

1 General information

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

2 Accounting policies

2.1. Basis of preparation

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 Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). 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 except for certain financial instruments and pension assets and liabilities which are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

2.3. Going concern

The 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 14. In addition, note 22 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 Group meets its day-to-day working capital requirements through the group treasury management provided by VolkerWessels UK Limited.

Given the Group's net cash 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.

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.

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.

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. The estimated useful lives are as follows:

Buildings:	17-25 years
Plant, machinery and vehicles:	4-6 years
Fixtures, fittings, tools and equipment:	4 years
Leasehold buildings	Length of lease

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

2.8. 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 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:	3-5 years

2.9. Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

2.10. Employee benefits

Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The 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 Accounting policies (continued)

2.11. Construction contract debtors

Construction contract debtors represent the gross unbilled income for contract work performed to date. They are measured at cost plus profit recognised to date (see note 2.20) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of trade and other receivables in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the statement of financial position. Claims derived from variations on contracts are not recognised until the outcome of the particular claim is virtually certain, except in exceptional circumstances where the principles of the claim have been agreed with the client and the directors have made a considered assessment of the final outcome.

2.12. 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.

2.13. Impairment excluding 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; a financial asset is considered to be impaired if objective evidence exists that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each year-end.

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 of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

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

An impairment loss in respect of a held-to-maturity security or 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.

An impairment loss in respect of goodwill is not reversed.

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

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

2 Accounting policies (continued)

2.14. 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.

2.15. 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.

2.16. Non-derivative financial instruments

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

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

Trade and other receivables 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.

2.17. Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see note 2.6). 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 Accounting policies (continued)

2.18. 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 Company takes legal and other third party advice as to the likely outcomes of such actions, and no liability or asset is recognised where the Directors consider, based on that advice, that an action is unlikely to succeed, or where the Company cannot make a sufficiently reliable estimate of the potential obligation or benefit.

2.19. Taxation

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

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

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

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

2.20. Revenue

Revenue represents the value of work done in the year and includes work that has in whole or part been subcontracted out. All amounts are exclusive of value added tax.

Construction contracts

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

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

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

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

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

Further details on revenue recognition are included in note 28.

Service contracts

Revenue from service contracts rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the contract costs incurred up to the year-end as a percentage of total estimated costs for each contract.

2 Accounting policies (continued)

2.21. 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.

2.22. Adopted IFRSs not yet applied

New amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2017 are listed below. The new amendments had no significant impact on the Company's results other than certain revised disclosures:

- IAS 12 (amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses'
- IAS 7 (amendments) 'Statement of Cashflows - Disclosure Initiative'
- IFRS 12 (amendments) 'Clarification of the scope of IFRS 12 with regard to assets held for sale'

The following adopted IFRSs (by the European Union) have been issued but have not been applied in these financial statements:

- IFRS 9 'Financial Instruments' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 15 'Revenue from Contracts with Customers' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 2 (amendments) 'Classification and Measurement of Share-based Payment Transactions' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 4 (amendments) 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 16 'Leases' (mandatory for the year commencing on or after 1 January 2019)
- IFRS 17 'Insurance Contracts' (mandatory for the year commencing on or after 1 January 2021)

Estimated impact of the adoption of IFRS 9 and IFRS 15

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' are mandatory for accounting periods beginning on or after 1 January 2018. The Group is in the process of finalising its detailed assessment of the impact of each of the new standards on the Group's financial statements. The Group has completed an initial assessment, the major findings of which are presented below.

IFRS 15 - Revenue from Contracts with Customers

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

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

The Group's revenue recognition policies are broadly consistent with IFRS 15. The requirements which may have an impact or which will require further assessment are discussed below;

2 Accounting policies (continued)

2.22. Adopted IFRSs not yet applied (continued)

Re-allocation of transaction price

IFRS15 requires contracts to be combined or split in certain circumstances. The purpose of combining and splitting contracts is to ensure an accurate allocation of the total transaction price to each of the individual performance obligations. This requirement could result in the re-allocation of revenue across projects and across periods/years.

To date, no contracts have been identified as needing to be combined. A number of contracts with multiple performance obligations have been identified. We are assessing the impact the new requirements will have on the allocation of revenue.

Progress measurement

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

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

These changes are expected to have an impact on the timing of revenue recognition for certain contracts. Any impact of initial recognition will be shown as an adjustment to opening retained earnings (see the section on transition below). We are assessing the impact the new requirements will have on the Group's financial statements.

Variable consideration

IFRS15 states that variable consideration such as claims, bonuses, penalties and unpriced variation orders should be included to the extent that it is highly probable a significant reversal will not occur. Current policy is to recognise revenue where it is reasonably likely it will be agreed. We are assessing the impact the new requirement will have on the Group's revenue recognition in relation to variable consideration.

Significant financing costs/revenue

IFRS15 requires financing costs/revenue to be removed from the project and reported separately as interest expense/income. This could have an impact on project margin and revenue timing. No examples, which meet the criteria of significant financing costs/revenue, have been identified.

Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. The cumulative effect of initially applying this standard will be shown as an adjustment to retained earnings at the date of first application (i.e. 1 January 2018). The Group will not be applying the requirements of IFRS 15 to the comparative period presented.

IFRS 9 - Financial Instruments

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

Classification – Financial Assets

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

We are assessing the impact the new requirements will have on the Group's treatment of Financial Assets.

2 Accounting policies (continued)

2.22. Adopted IFRSs not yet applied (continued)

Impairment – Financial Assets and Contract Assets

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

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

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables and contract assets as required or permitted by IFRS 9. We are assessing the impact the new requirements will have on the Group's accounting for trade receivables and contract assets.

Hedge Accounting

There are a number of changes within the standard with regards to hedge account. The Group does not routinely utilise hedging instruments and did not have any instruments classified as hedging relationships under IAS 39 at 1 January 2018. We are assessing the impact the new requirements will have on the Group's accounting for hedges.

Transition

The Group intends to adopt the standard using the modified retrospective approach which means the cumulative effect of initially applying this standard will be shown as an adjustment to retained earnings at the date of first application (i.e. 1 January 2018) and that comparatives will not be restated.

3 Revenue

Revenues are comprised as follows:

	2017 £000	2016 £000
Construction contract revenues	328,171	457,381
Service contract revenues	105,251	86,442
Total revenues	**433,422**	543,823

Substantially all revenue relates to sales made in the United Kingdom.

Service contract revenues primarily relate to revenues generated through the Highways Term Maintenance contracts. All other revenue generated by the Group is classified as construction contract revenues.

4 Operating result

Operating result is stated after charging:

	2017	2016
	£000	£000
Depreciation of plant, property and equipment		
- owned assets	167	320
Amortisation of intangible assets included in administrative expenses	339	268
Operating lease charges		
- plant and machinery	35	35
- other	1,314	1,322
Auditor's remuneration		
- audit of these financial statements	130	110
- audit of financial statements of subsidiaries	56	46
Gain/(loss) on sale of plant, property and equipment	-	(2)

Continuing non-audit services were provided by the Group's auditor jointly to VolkerHighways Limited and the jointly controlled operation, CVU. The fee of £6,500 (2016: £4,500) was borne by CVU.

In the prior year, one-off non-audit services were provided by the Group's auditor jointly to VolkerFitzpatrick Limited and VolkerRail Limited. The fee was £7,000 and was borne by VolkerFitzpatrick Limited.

5 Staff numbers and costs

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

	2017	2016
	No	No
Management & administrative	134	134
Operational	864	868
	998	1,002

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	55,297	55,141
Social security costs	6,057	5,900
Contributions to defined contribution plans	3,525	3,252
	64,879	64,293

6 Directors' remuneration

	2017	2016
	£000	£000
Directors' emoluments	1,280	1,142
Company contributions to money purchase pension plans	48	85
	1,328	1,227

The emoluments of the highest paid Director were £653,000 (2016: £603,000) and company pension contributions of £10,000 (2016: £19,000) were made to a money purchase scheme on their behalf.

Only 3 directors are remunerated through the Group (2016: 3). The other directors are remunerated through VolkerServices Limited, a subsidiary of VolkerWessels UK Limited.

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

	2017	2016
	No	No
Money purchase schemes	3	3
Defined benefit pension schemes	1	1

7 Financial income

	2017	2016
	£000	£000
Interest income on short-term bank deposits	130	52
Net interest on the net defined benefit assets	95	144
Total financial income	225	196

8 Financial expense

	2017	2016
	£000	£000
Interest on loans from related parties	16	10
Net foreign exchange loss	10	2
Total financial expense	26	12

9 Taxation

a) Analysis of the tax recognised in the income statement

	2017 £000	2016 £000
Current tax expense		
UK corporation tax:		
Current year	1,794	1,947
Adjustments for prior periods	140	137
Current tax expense	1,934	2,084
Deferred tax expense (see note 13)		
Origination and reversal of temporary differences	(76)	44
Change in tax rate	9	(30)
Adjustments for prior periods	180	2
Deferred tax expense	113	16
Total tax expense	2,047	2,100

9 Taxation (continued)

b) Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	7,907	8,323
Total tax expense	2,047	2,100
Profit before taxation	9,954	10,423
Tax using the UK corporation tax rate of 19.25 (2016: 20.00%)	1,916	2,085
Effects of:		
Expenses not deductible for tax purposes	57	82
Effect of research and development tax credit [1]	(126)	(152)
Effect of change in tax rate	9	(30)
Adjustments for prior years	319	139
Other	(128)	(24)
Total tax expense	2,047	2,100

[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

	2017 £000	2016 £000
Deferred tax (expense)/credit recognised directly in other comprehensive income	(580)	122

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 to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the year-end have been measured using these enacted tax rates and reflected in these financial statements.

10 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 2016	352	1,373	272	1,997
Additions	100	-	52	152
Disposals	-	-	(2)	(2)
At 31 December 2016	452	1,373	322	2,147
At 1 January 2017	452	1,373	322	2,147
Additions	97	-	20	117
Disposals	-	-	(2)	(2)
At 31 December 2017	549	1,373	340	2,262
Depreciation and impairment				
At 1 January 2016	128	1,047	189	1,364
Charge for the year	57	188	75	320
At 31 December 2016	185	1,235	264	1,684
At 1 January 2017	185	1,235	264	1,684
Charge for the year	64	72	31	167
At 31 December 2017	249	1,307	295	1,851
Net book value				
At 31 December 2017	300	66	45	411
At 31 December 2016	267	138	58	463
At 1 January 2016	224	326	83	633

11 Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
Balance at 1 January 2016	403	2,087	2,490
Additions	-	241	241
Disposals	-	(7)	(7)
Balance at 31 December 2016	403	2,321	2,724
Balance at 1 January 2017	403	2,321	2,724
Additions	-	169	169
Transfer from group undertaking	-	354	354
Balance at 31 December 2017	403	2,844	3,247
Amortisation and impairment			
Balance at 1 January 2016	-	377	377
Amortisation for the year	-	268	268
Balance at 31 December 2016	-	645	645
Balance at 1 January 2017	-	645	645
Amortisation for the year	-	339	339
Disposals	-	-	-
Balance at 31 December 2017	-	984	984
Net book value			
At 31 December 2017	403	1,860	2,263
At 31 December 2016	403	1,676	2,079
At 1 January 2016	403	1,710	2,113

Goodwill is allocated to the Group's cash generating units (CGUs) which have been identified on a sub-group basis. A summary of the carrying value presented by CGU as at 31 December 2017 and 31 December 2016 is shown below:

	2017 £000	2016 £000
VolkerHighways	403	403
	403	403

11 Intangible assets (continued)

Impairment testing

The recoverable amount for each cash generating unit has been consistently calculated with reference to its value-in-use. The key assumptions of this calculation are shown below:

	2017	2016
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**2%**	2%
Pre-tax discount rate	**8%**	8%

The value in use calculations use cash flows based on detailed financial budgets prepared by management covering a 5 year period. These budgets have regard to historical performance and knowledge of the current market, together with management's views on the future achievable growth and the impact of forward secured and probable order book. Cash flows beyond this 5 year period are extrapolated using a long-term growth rate.

The key assumptions in the value in use calculations are the long-term growth rate and risk adjusted pre-tax discount rate. The long-term growth rate has been determined with reference to forecast industry growth. Management believes this is the most appropriate indicator of long-term growth rates. The pre-tax discount rate is based on the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

12 Investments

Company	**Shares in group undertakings £000**
Cost	
At 1 January and 31 December 2016	7,178
At 1 January 2017	7,178
At 31 December 2017	7,178
Net book value	
At 31 December 2017	7,178
At 31 December 2016	7,178
At 1 January 2016	7,178

12 Investments (continued)

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

Subsidiary undertakings

	Principal activities	Class of shares held	Ownership % 2017	2016
VolkerHighways Limited*	Maintenance	Ordinary	**100%**	100%
VolkerFitzpatrick Overseas Limited*	Civil Engineering & Construction works	Ordinary	**100%**	100%

** directly held by the Company*

All subsidiary undertakings and are incorporated in England and Wales. The registered office in England and Wales is: Hertford Road, Hoddesdon, Hertfordshire, EN11 9BX.

Jointly controlled operations

				Company Share %	
Group and Company	**Principal activities**	**JCO partner**	**Address**	**2017**	2016
Fitzpatrick Lafarge	Construction	Lafarge Aggregates Limited	1 & 2	**70%**	70%
Fitzpatrick Hochtief	Construction	Hochtief (UK) Construction Limited	1 & 3	**50%**	50%
VFC	Construction	Colas Limited	1 & 4	**50%**	50%
BMV	Construction	BAM Nutall Limited and Morgan Sindall Construction & Infrastructure Limited	1, 6 & 7	**25%**	25%
VFK	Construction	Kier Infrastructure & Overseas Limited	8	**50%**	-
Align	Construction	Bouygues Travaux Publics SAS & Sir Robert McAlpine Limited	9 & 10	**20%**	-
Group only					
CVU	Highway Maintenance	Colas Limited; AECOM Infrastructure & Environment UK Limited	1, 4 & 5	**40%**	40%

Address

1. Hertford Road, Hoddesdon, Hertfordshire EN11 9BX

2. Granite House, Granite Way, Syston, Leicester, Leicestershire LE7 1PL

3. Epsilon Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire SN5 6NX

4. Wallage Lane, Crawley, West Sussex RH10 0NS

5. Scott House, Alencon Link, Basingstoke, Hampshire RH10 0NS

6. St James House, Knoll Road, Camberley, Surrey GU15 3XW

7. Kent House, Market Place, London WIW 8AJ

8. Tempsford Hall, Tempsford, Bedfordshire SG19 2BD

9. 1 Avenue Eugene Freyssinet, 78280 Guyancourt, France

- Registered UK Branch, Becket House, 1 Lambeth Palace Road, London SE1 7EU

10. 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.

13 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	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Property, plant and equipment	**171**	190	**-**	-
Employee benefits	**-**	-	**(257)**	(814)
Provisions	**76**	-	**-**	-
Intangible assets	**-**	-	**(148)**	-
Tax assets/(liabilities)	**247**	190	**(405)**	(814)

Company	Assets		Liabilities	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Property, plant and equipment	**7**	3	**-**	-
Employee benefits	**-**	-	**-**	(621)
Tax assets/(liabilities)	**7**	3	**-**	(621)

b) Movement in deferred tax in the year

Group	1 January 2017	Charge in profit or loss	Charge in other comprehensive income	31 December 2017
	£000	£000	£000	£000
Property, plant and equipment	190	(19)	-	**171**
Employee benefits	(814)	(23)	580	**(257)**
Provisions	-	76	-	**76**
Intangible assets	-	(148)	-	**(148)**
	(624)	(114)	580	**(158)**

Company	1 January 2017	Charge in profit or loss	Charge in other comprehensive income	31 December 2017
	£000	£000	£000	£000
Property, plant and equipment	3	4	-	7
Employee benefits	(621)	(17)	638	-
	(618)	(13)	638	7

13 Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior year

Group	1 January 2016 £000	Charge in profit or loss £000	Charge in other comprehensive income £000	31 December 2016 £000
Property, plant and equipment	219	(29)	-	190
Employee benefits	(705)	13	(122)	(814)
	(486)	(16)	(122)	(624)

Company	1 January 2016 £000	Charge in profit or loss £000	Charge in other comprehensive income £000	31 December 2016 £000
Property, plant and equipment	3	-	-	3
Employee benefits	(518)	8	(111)	(621)
	(515)	8	(111)	(618)

14 Inventories

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Raw materials and consumables	2,792	2,054	-	-

Raw materials and consumables recognised as cost of sales in the year amounted to £41,105,000 (2016: £49,217,000).

15 Trade and other receivables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade receivables	10,546	15,827	4,435	13,326
Construction contract debtors	64,857	74,289	50,490	64,252
Amounts owed by group undertakings (Note 26)	11,859	8,746	8,579	9,165
Prepayments	2,858	3,660	904	2,158
Other receivables	2	5,742	-	5,742
	90,122	108,264	64,408	94,643
Current	87,357	101,802	62,437	88,956
Non current	2,765	6,462	1,971	5,687
	90,122	108,264	64,408	94,643

Included within construction contract debtors is £1,739,000 (2016: £5,517,000) for the Group and £1,739,000 (2016: £5,517,000) for the Company expected to be recovered in over 12 months.

Included within prepayments is £1,027,000 (2016: £945,000) for the Group and £233,000 (2016: £170,000) for the Company for pre-contract costs, which will be amortised, over the term of the contracts, up to September 2023.

At 31 December 2017 aggregated costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £1.4 billion (2016: £1.6 billion) for the Group and £1.0 billion (2016: £1.1 billion) for the Company.

At 31 December 2017, construction contract debtors for the Group include retentions of £11,431,000 (2016: £13,279,000) relating to construction contracts in progress.

16 Cash and cash equivalents

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash and cash equivalents	82,159	75,271	71,132	67,381
	82,159	75,271	71,132	67,381

17 Trade and other payables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade payables	78,242	98,811	61,192	83,717
Amounts owed to group undertakings (Note 26)	5,733	3,153	1,260	4,084
Amounts due to customers for contract work	18,452	22,686	14,916	22,037
Other tax and social security costs	8,687	6,085	6,603	5,927
Non trade payables and accrued expenses	6,172	7,727	5,470	6,850
	117,286	138,462	89,441	122,615
Current	117,286	138,462	89,441	122,615
Non current	-	-	-	-
	117,286	138,462	89,441	122,615

Included within trade payables are contract accruals of £66,715,000 (2016: £85,292,000) for the Group and £53,833,000 (2016: £76,713,000) for the Company, which comprises of amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

Included within amounts due to customers for contract work are advanced payments received of £7,678,000 (2016: £41,000) for the Group and £6,817,000 (2016: £nil) for the Company.

18 Provisions

Group	Onerous contract provision £000	Total £000
Charged to the income statement	3,200	3,200
Balance at 31 December 2017	3,200	3,200
Analysis of total provisions		
Non-current	1,635	1,635
Current	1,565	1,565
	3,200	3,200

Onerous contract provision

Contract provisions represent the expected net loss of fulfilling contractual obligations, based on the company's best estimate of volume levels and of the cost to service the volumes. The provision is expected to be fully utilised over the next four years.

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

During the year the Company recognised a credit of £3,200,000 in respect of the reimbursement of costs by VolkerWessels UK Limited for the Company's fulfilment of these contractual obligations.

19 Employee benefits

a) Defined benefit plans

The Group operates three defined benefit pension schemes:
(a) VolkerFitzpatrick Limited Pension Scheme
(b) VolkerFitzpatrick Limited Greenwich Pension Scheme
(c) Gabriel (Contractors) Limited Pension Scheme

(a) VolkerFitzpatrick Limited Pension Scheme

The Company operates 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.

(b) VolkerFitzpatrick Limited Greenwich Pension Scheme

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

(c) Gabriel (Contractors) Limited Pension Scheme

The Group operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee of the 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 the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

For all three 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.

Risks

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.

19 Employee benefits (continued)

Group

	2017	2016
	£000	£000
Total defined benefit asset	16,346	15,989
Total defined benefit liability	(10,938)	(11,197)
Net asset for defined benefit obligations	5,408	4,792
Adjustment for restrictions on the defined benefit asset	(3,899)	-
Total employee benefits	1,509	4,792

Adjustment for restrictions on the defined benefit asset
Of the Group's defined benefit pension schemes, three are currently in a surplus position based on actuarial assumptions in line with IAS 19. However the surplus has been restricted for two of 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	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(11,197)	(9,461)	15,989	13,376	4,792	3,915
Included in profit or loss						
Interest (cost)/income	(286)	(341)	410	485	124	144
Administration (cost)/income	(9)	(7)	1	-	(8)	(7)
	(11,492)	(9,809)	16,400	13,861	4,908	4,052
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	64	79	-	-	64	79
- Changes in financial assumptions	(122)	(2,126)	-	-	(122)	(2,126)
- Experience gain	221	128	-	-	221	128
Return on plan assets excluding interest income	-	-	325	2,638	325	2,638
	163	(1,919)	325	2,638	488	719
Other						
Contributions paid by the employer	-	-	12	21	12	21
Benefits paid	391	531	(391)	(531)	-	-
Balance at 31 December	(10,938)	(11,197)	16,346	15,989	5,408	4,792

19 Employee benefits (continued)

Plan assets

Group	2017 £000	2016 £000
Cash and cash equivalents	1,295	1,989
Equities and other growth assets	8,809	8,267
Bonds and liability driven investments	6,242	5,733
Total	16,346	15,989

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	2017 %	2016 %
Discount rate	2.5	2.6
RPI inflation	3.2	3.3
RPI inflation linked increases in deferment	3.2	3.3
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.2
CPI inflation	2.2	2.3
CPI inflation linked increases in deferment	2.2	2.3
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.2

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	20.9	22.7
Future retiree upon reaching 65 in 20 years	21.9	24.0

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.

19 Employee benefits (continued)

Group	Change in assumption	2017 +0.5% £000	2017 -0.5% £000	2016 +0.5% £000	2016 -0.5% £000
Discount Rate	+/- 0.5%	(1,100)	935	(989)	1,175
Inflation (RPI)	+/- 0.5%	357	(376)	357	(357)

In valuing the liabilities of the pension fund at £10,938,000, 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 2017 would have increased by £382,000 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

	2017 £000	2016 £000
Total defined benefit asset	11,382	11,119
Total defined benefit liability	(7,483)	(7,467)
Net asset for defined benefit obligations	3,899	3,652
Adjustment for restrictions on the defined benefit asset	(3,899)	-
Total employee benefits	-	3,652

Adjustment for restrictions on the defined benefit asset
Both of the Company'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 due to the Company not having an unconditional right to a refund of that surplus. This follows the current proposed IFRIC 14 interpretation.

19 Employee benefits (continued)

Movement in net defined benefit asset

Company

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(7,467)	(6,331)	11,119	9,211	3,652	2,880
Included in profit or loss						
Interest (cost)/income	(190)	(226)	285	332	95	106
Administration costs	(9)	(7)	1	-	(8)	(7)
	(7,666)	(6,564)	11,405	9,543	3,739	2,979
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	51	41	-	-	51	41
- Changes in financial assumptions	(94)	(1,536)	-	-	(94)	(1,536)
- Experience (loss)/gain	(68)	128	-	-	(68)	128
Return on plan assets excluding interest income	-	-	259	2,019	259	2,019
	(111)	(1,367)	259	2,019	148	652
Other						
Contributions paid by the employer	-	-	12	21	12	21
Benefits paid	294	464	(294)	(464)	-	-
Balance at 31 December	(7,483)	(7,467)	11,382	11,119	3,899	3,652

Plan assets

Company	2017	2016
	£000	£000
Cash and cash equivalents	668	1,264
Equities and other growth assets	6,401	5,980
Bonds	4,313	3,875
Total	11,382	11,119

19 Employee benefits (continued)

Actuarial assumptions

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

Company	2017 %	2016 %
Discount rate	2.5	2.6
RPI inflation	3.2	3.3
RPI inflation linked increases in deferment	3.2	3.3
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.2
CPI inflation	2.2	2.3
CPI inflation linked increases in deferment	2.2	2.3
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.2

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	20.9	22.7
Future retiree upon reaching 65 in 20 years	21.9	24.0

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	2017 +0.5% £000	2017 -0.5% £000	2016 +0.5% £000	2016 -0.5% £000
Discount Rate	+/- 0.5%	(823)	693	(728)	877
Inflation (RPI)	+/- 0.5%	287	(307)	228	(228)

In valuing the liabilities of the pension fund at £7,483,000, 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 2017 would have increased by £244,170 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.

19 Employee benefits (continued)

Funding

The three plans are fully funded by the Group. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of each plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above.

For all three schemes, the last actuarial valuation of the schemes was performed by the Scheme Actuary for the Trustee as at 1 January 2017. These valuations revealed a surplus and therefore no contributions are required by the group at this time.

(b) Defined contribution plans

The Group also operates a number of defined contribution plans. The total expense for the Group was £3,525,000 (2016: £3,252,000) and the creditor outstanding relating to these plans was £229,000 (2016: £249,000).

The outstanding pension creditor for the company was £229,000 (2016: £224,000).

20 Share capital

Authorised, allotted, called up and fully paid ordinary shares of £1	**Company and Group** Number of shares	Ordinary shares £000
At 31 December 2016 and 31 December 2017	**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.

21 Dividends

There was no interim dividend paid during the year (2016: 83.3p totalling £5,000,000). The directors do not recommend the payment of a final dividend (2016: £nil).

22 Financial instruments

a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, 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 finance leases, the market rate of interest is determined by reference to similar lease agreements.

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

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

	Note	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Loans and receivables	*15*	87,264	104,604	63,504	92,485
Cash and cash equivalents	*16*	82,159	75,271	71,132	67,381
Total financial assets		169,423	179,875	134,636	159,866
Financial liabilities measured at amortised cost					
Bank overdrafts	*16*	-	-	-	-
Trade and other payables	*17*	108,599	132,377	82,838	116,688
Total financial liabilities		108,599	132,377	82,838	116,688
Total financial instruments		60,824	47,498	51,798	43,178

Trade and other receivables above exclude prepayments.

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

22 Financial instruments (continued)

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 receivables from customers.

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

Exposure to credit risk

The carrying amount of trade and other receivables and the maximum exposure for the Group at 31 December 2017 was £87,264,000 (2016: £104,604,000).

The carrying amount of trade and other receivables and the maximum credit exposure for the Company at 31 December 2017 was £63,504,000 at 31 December 2017 (2016: £92,485,000).

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 2017 £000	2016 £000	Company 2017 £000	2016 £000
Building	2,672	8,223	2,672	8,223
Civil engineering	7,874	7,604	1,763	5,103
	10,546	15,827	4,435	13,326

22 Financial instruments (continued)

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Public sector customers	6,674	2,167	1,044	12
Private sector customers	3,872	13,660	3,391	13,314
	10,546	15,827	4,435	13,326

Credit quality of financial assets and impairment losses

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

Group	2017 Gross £000	2017 Impairment £000	2016 Gross £000	2016 Impairment £000
Not past due	8,245	-	7,107	-
Past due (0-30 days)	1,561	-	6,810	-
Past due (31-120 days)	561	-	1,755	-
More than 120 days	179	-	155	-
	10,546	-	15,827	-

Company	2017 Gross £000	2017 Impairment £000	2016 Gross £000	2016 Impairment £000
Not past due	3,806	-	5,778	-
Past due (0-30 days)	447	-	5,857	-
Past due (31-120 days)	158	-	1,691	-
More than 120 days	24	-	-	-
	4,435	-	13,326	-

At 31 December 2017 the Group and the Company had no impairment provision (2016: £nil) and did not provide against any debt during the year.

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.

22 Financial instruments (continued)

c) Liquidity risk

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

Contractual maturity of financial liabilities

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

Group 2017	Carrying amount £000	Contractual cash flows £000	1 year or less £000
Trade and other payables	108,599	108,599	108,599
	108,599	**108,599**	**108,599**

Group 2016	Carrying amount £000	Contractual cash flows £000	1 year or less £000
Trade and other payables	132,377	132,377	132,377
	132,377	**132,377**	**132,377**

22 Financial instruments (continued)

Company 2017	**Carrying amount £000**	**Contractual cash flows £000**	**1 year or less £000**
Trade and other payables	82,838	82,838	82,838
	82,838	**82,838**	**82,838**

Company 2016	**Carrying amount £000**	**Contractual cash flows £000**	**1 year or less £000**
Trade and other payables	116,688	116,688	116,688
	116,688	**116,688**	**116,688**

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 that are performed outside of the UK. Income is received in Euros and US Dollars and some costs settled in Euros. The exposure on these transactions is not material.

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

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

22 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	2017 £000	2016 £000
Variable rate instruments		
Financial assets	82,159	75,271

Company	2017 £000	2016 £000
Variable rate instruments		
Financial assets	71,132	67,381

Financial liabilities of the Company consist entirely of variable rate instruments.

A change of 100 basis points in interest would either increase or decrease equity by £822,000 (2016: £753,000) for the Group and by £711,000 (2016: £674,000) for the company. The sensitivity of 100 basis points represents the directors' assessment of a reasonably possible change, based on historic volatility.

e) Capital risk management

For the purpose of the Group's capital risk management, capital includes issued share capital 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.

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

23 Cash flows from operating activities

Group	**2017**	**2016**
	£000	£000
Profit for the year	**7,907**	8,323
Adjustments for:		
Depreciation, amortisation and impairment	**506**	588
Financial income	**(225)**	(196)
Financial expense	**26**	12
Loss on sale of property, plant and equipment	**-**	7
Payments to defined benefit plans	**(12)**	(21)
R & D expense credit	**(1,651)**	(1,600)
Taxation	**2,047**	2,100
	8,598	9,213
Decrease in trade and other receivables	**18,142**	858
Increase in inventories	**(737)**	(296)
Decrease in trade and other payables	**(21,176)**	(3,517)
Increase in provisions	**3,200**	-
	8,027	6,258

Company	**2017**	**2016**
	£000	£000
Profit for the year	**7,206**	10,165
Adjustments for:		
Financial income	**(188)**	(148)
Financial expense	**13**	3
Payments to defined benefit plans	**(12)**	(21)
R & D expense credit	**(1,665)**	(1,516)
Taxation	**1,606**	1,868
	6,960	10,351
Decrease/(increase) in trade and other receivables	**30,235**	(2,146)
Decrease in trade and other payables	**(33,178)**	(3,024)
	4,017	5,181

24 Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

	Group 2017	Group 2016	Company 2017	Company 2016
	£000	£000	£000	£000
Land and buildings				
Less than one year	1,234	845	468	344
Between one and five years	2,624	1,884	508	249
More than five years	95	-	-	-
	3,953	2,729	976	593

	Group 2017	Group 2016	Company 2017	Company 2016
	£000	£000	£000	£000
Plant and machinery				
Less than one year	35	35	-	-
Between one and five years	29	64	-	-
More than five years	-	-	-	-
	64	99	-	-

The Group and Company lease properties, vehicles and equipment for operational purposes. These leases have remaining term of between 3 months and 8 years for the Group and between 3 months and 5 years for the Company. No leases include contingent rentals.

25 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.

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 £11,306,000 (2016: £6,164,000).

26 Related parties

Related party transactions

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

Compensation of key management

The compensation of key management personnel in relation to five directors (Group) and three directors (Company), is as follows:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Short-term employee benefits	1,702	1,317	1,280	1,142
Contribution to defined contribution plans	138	111	48	85
	1,840	1,428	1,328	1,227

Related party transactions with fellow group undertakings

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Amounts owed by fellow group undertakings				
At start of year	8,704	8,265	9,143	8,601
Sales/income	2,121	1,444	1,523	1,505
Receipts	(2,222)	(1,005)	(2,123)	(963)
At end of year	8,603	8,704	8,543	9,143

All amounts owed by undertakings are derived from trading transactions.

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Amounts owed by parent undertakings				
At start of year	42	55	22	52
Sales/income	81	196	81	157
Receipts	(67)	(209)	(67)	(187)
Advances	3,200	-	-	-
At end of year	3,256	42	36	22

26 Related parties (continued)

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Amounts owed to fellow group undertakings				
At start of year	3,153	6,037	4,084	5,819
Expenses	25,380	31,224	16,570	23,934
Payments	(27,800)	(34,108)	(19,394)	(25,669)
At end of year	733	3,153	1,260	4,084

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Amounts owed to parent undertakings				
Drawdowns	5,000	-	-	-
At end of year	5,000	-	-	-

Terms and conditions of transactions with related parties

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

27 Ultimate parent company and parent undertaking of larger 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 their consolidated financial statements may be obtained from its registered office Hertford Road, Hoddesdon, Hertfordshire, EN11 9BX.

The results of the Company are included in the consolidated financial statements of its ultimate parent company Koninklijke VolkerWessels N.V., a company incorporated in The Netherlands. Copies of the consolidated financial statements may be obtained from its Amersfoort office: Podium 9, 3826 PA Amersfoort, P.O. Box 2767, 3800 GJ Amersfoort, The Netherlands.

28 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 Accounting Policies

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

Categorisation of contracts

The categorisation of contracts in whole or part as Construction contracts or Service Contracts is based on the nature of the works provided under the contract with regard to IAS 11 and IAS 18 respectively.

Key Sources of Estimation Uncertainty

The Group 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 activities are undertaken through long term construction contracts the Group 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 term maintenance contracts, the Group uses the percentage-of-completion method to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the year-end as a percentage of total estimated costs for each contract.

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

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

(b) Claims

Management's best judgement is taken into account in reporting disputed amounts, legal cases and claims but the actual outcome in future may be different from this judgement.

(c) Onerous contract provision

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

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

See note 18 and the strategic report for further details.