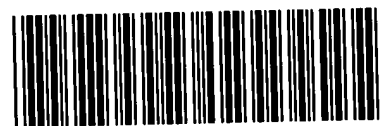

VolkerFitzpatrick Limited
Registered number 02387700
Annual Report and Financial Statements
for the year ended
31 December 2022

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VolkerFitzpatrick Limited

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VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Principal activities

The principal activities of the VolkerFitzpatrick Limited (the "Company") and subsidiaries (the "Group") are building, civil engineering, rail, highways and major infrastructure construction and related services.

Business Review

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

Financial key performance indicators

	2022 £000	2021 £000
Revenue	673,860	508,751
Gross profit	46,313	48,479
Gross profit margin	6.9%	9.5%
Operating result	19,656	19,444
Operating result margin	2.9%	3.8%
Profit before tax	20,655	19,391
Profit before tax margin	3.1%	3.8%
Cash and cash equivalents	117,332	109,653
Net assets	45,591	44,563
Forward secured order book ¹	816,290	794,805

Non-financial key performance indicators

		2022	2021
Health and wellbeing			
Safety	Accident frequency rate (AFR) ²	0.16	0.07
Natural environment			
Raw material	Waste diverted from landfill (percentage)	96%	95%
CO ₂ emissions (scope 1 & 2)	Carbon dioxide footprint in kilotons (tonnes/million revenue) ³	9.9	14.4
People and culture			
Employee engagement	Employee survey score across 4 key engagement metrics	82%	85%

Footnote

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

² The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) excluding dangerous occurrences are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. Accident Frequency Rate (AFR) = (number of RIDDOR reportable injuries + total work hours) x 100,000.

³ Our carbon emissions intensity metric has been amended to include those emission sources that align with the requirements of the Streamlined Energy and Carbon Reporting guidance. This includes natural gas, petrol, diesel, mileage, gas oil, burning oil, electricity, air travel and train travel.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Business review (continued)

At £673.9m, revenues were 32% ahead of those achieved in 2021, driven primarily by industrial and distribution building volumes which were significantly ahead of the prior year. Typically, the competitive nature of this particular sector results in a lower gross margin return than for other revenues of the business, and the impact of this on our overall return can be seen in the 2022 results with an overall gross margin return of 6.9% being lower than the return achieved for the prior year. After considering overhead and interest, the business generated a profit before tax for the year which, at £20.7m, is £1.3m above that achieved in 2021. This equates to a return of 3.1%.

Aside from our success in the industrial and distribution building sector in 2022, revenues for the year were underpinned in large part by our participation in a number of major and critical civil infrastructure projects. These included High Speed Two, RAF Lakenheath F-35, and rail enhancement projects at Gosforth, Brent Cross and Birmingham.

As we had anticipated at the end of 2021, the availability of building materials and supply chain labour and related price inflation pressure were challenges that continued into this year. What we had not anticipated however was the Russian invasion of Ukraine early in the year and the aggravating effect that subsequently had on economic conditions. Being followed later in the year by politically derived instability in the home market, which affected borrowing costs and investor confidence, we can conclude that 2022 was another challenging year for the business in delivering its projects and goals. To the great credit of our teams, they have worked tirelessly to manage the challenges arising, working closely with both our supply chain partners and our clients to mitigate impacts on programme delivery and cost to the greatest extent possible.

We continue to benefit from a balanced client and market sector base which helps to provide resilience in the face of difficult and uncertain economic conditions. In terms of market developments this year, after two years of low activity levels and few opportunities we have seen improved conditions in the civilian aviation market in 2022. Increased passenger numbers, combined with the obligations of airport operators to invest in their infrastructure has resulted in improved demand for our specialist services in this period. As implied above, the industrial and distribution market remains buoyant, and in most other sectors that we operate in activity levels remain stable, although we remain cautious that the inflationary pressures we have seen over the last twelve months may act as a break on demand as client budgets (both private and public sector) are challenged.

A fuller explanation of the market sector and contract activity that contributed to the reported result for the year can be found in the Operational Review section of this report.

The Directors long-term strategy is to generate improvements in the quality of earnings rather than growth of volumes and revenues. To achieve this ambition, our focus is on high quality operational delivery, adding value for our clients, and appropriate management of risk throughout the life cycle of our projects.

Operating profit for the year was £19.7m (2021: £19.4m), an improvement of £0.3m. With a progressive rise in the UK base interest rate during the year, we also saw an improvement to our finance income in 2022, which supplemented our profit before tax by approx. £1m, being the product of a consistently strong cash position.

The Directors' intention is to ensure the maintenance of a strong and robust financial position, which can provide resilience in difficult times, enable investment in the business, and give confidence to clients, suppliers, and other stakeholders when they enter into contract with the business. They believe the closing balance sheet position of the group once again meets these objectives.

The strong performance of the business enabled the payment of a dividend from retained earnings to shareholders of £15.7m (2021: £25.0m) in October of this year.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Business review (continued)

At 31 December 2022, Net assets were £45.6m (2021: £44.6m), supported by cash and cash equivalents of £117.3m (2021: £109.7m) and a net current asset position of £34.4m (2021: £35.1m).

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

In terms of non-financial performance indicators, we are pleased to be able to report positive results across "safety" and "natural environment". In particular, our Accident Frequency Rate (measured fiscally) is trending below that of the industry average.

During 2022 we undertook a full employee engagement survey. This recorded an overall engagement score of 82%, which is a pleasing result illustrating the strength to which our employees have continued to feel engaged during what has been a challenging 12 months for them considering the economic environment in 2022.

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

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

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

Operational review

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

VolkerFitzpatrick Limited

Founded in 1921, VolkerFitzpatrick Limited ("VolkerFitzpatrick") has a long heritage of achieving excellence for its clients. We are 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 customers, 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 real client benefits including reduced management costs, a single point of responsibility, and improved integration and interface of the civil engineering, building and rail elements of the project.

During the year we successfully completed and handed over Birkenhead train carriage wash facility on behalf of Stadler Rail, and Swansea depot fuel enhancements for Hitachi. We also made significant progress on the new fleet depot at Gosforth in Newcastle for ultimate client Nexus, achieving the first key date which saw hand over of the MFB and a number of sidings for new trains. When complete, this facility will accommodate state-of-the-art trains for the Tyne and Wear Metro, which are set to enter into passenger service from 2023.

We were also successful in securing a new project at Bescot Depot for West Midland Trains. This is a two-stage contract consisting of an early contractor involvement phase followed by construction starting on site in 2024.

Rail Infrastructure

Following the conclusion of our CP5 framework with Network Rail in 2020, we continued work to complete Crossrail related upgrades to the stations at Ilford and Romford for Network Rail that were both completed and opened to passenger services in 2022.

Work has also progressed on the project to extend the London Overground Railway in the Barking area of London. Working for the ultimate client, Transport for London, the scheme includes a 4.5km elevated extension to the existing Gospel Oak to Barking line, and a new Barking Riverside station. The Station opened to passenger services in July 2022 providing the development with a key transport link.

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

Following award by London Borough of Barnet in late 2019, we have also continued to make good progress in the year on the Brent Cross West Station project, which is due for completion in 2023.

We were also awarded a contract by West Midlands Combined Authority for the design and build of the new University Station Birmingham in late 2020. This project has progressed throughout the year and achieved a key milestone in providing a station for use during the Commonwealth Games 2022 which were hosted by Birmingham. Works are due for completion in 2023.

West Midlands Combined Authority more recently awarded a contract for the Camp Hill Line Stations in 2022. The Project has mobilised and is making excellent progress towards its next major milestone of a 10-day disruptive blockade. The project is due for completion in 2024.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Operational review (continued)

Works remain ongoing at Bletchley and Winslow Stations on behalf of the East West Rail Alliance with both projects due for completion in 2023.

Following award by Alstom in 2022, we have continued to make good progress at the Victoria Phase 4 re-signalling scheme, due for completion in 2023. This contract award was further to previous phases undertaken by VolkerFitzpatrick in 2021.

In addition, late in the year we secured a major rail infrastructure project in the west country. MetroWest Phase 1b – Portishead Line is a key part of the local rail strategy and efficient, sustainable and innovative delivery is vital to meet North Somerset Council and the West of England Combined Authorities objectives for clean and inclusive growth, carbon neutrality targets and employment opportunities.

High Speed Two

During 2022, ALIGN (the Joint Venture in which VolkerFitzpatrick participates) continued progressing the development of its key section of Phase One of the HS2 high-speed rail network between London and Birmingham.

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

Following Notice to Proceed in April 2020 the ALIGN JV has continued to make good progress during 2022. The two tunnel boring machines (TBM's) named Florence and Cecilia were launched in spring 2021.

At the end of 2022 approximately 8km of tunnels had been constructed. Fire ventilation shafts are being constructed along the length of the tunnels and all five are at full depth with internal construction works in progress together with the head houses.

Works on the 3.4km Colne Valley Viaduct have made significant progress during 2022. All of the piling to the foundations has been completed and 23 of the total of 58 piers have been constructed. Erection of the deck of the bridge using a bespoke steel launching gantry has commenced with 135 of the 1000 precast concrete deck segments erected by year end.

Outside of the ALIGN JV, during 2022 VolkerFitzpatrick also commenced work on two new bridge structures to enable realignment of the Network Rail Mainline to facilitate HS2 and the new Old Oak Common rail station. This scheme is being delivered over a 4 year period which is reflected in the necessary six separate phases to complete the structures to the Central line and Great Western Main line.

Aviation

Working in Joint Venture with Kier, VolkerFitzpatrick completed the design and construction of the state-of-the-art Luton DART rapid transit system in 2022. The system links London Luton Airport with Luton Airport Parkway railway station. King Charles III was one of the first passengers on the transit system during a visit on 6 December 2022.

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

Significant progress was made on the project during the year notably reflected through the safe arrival of further new F-35 aircraft on the base, and the handing over of a new Flight Simulator Building. The remaining 6 buildings on the Campus are progressing well with the core and shell complete and the fit out well underway.

VolkerFitzpatrick's framework to upgrade 58 Protective Aircraft Shelters at RAF Lakenheath to current standards to home both the F-15 and F-35 Aircraft is progressing well. 18 of the 58 shelters are now successfully completed and handed over and we are about to commence a further 6 shelters during 2023. Significant additional works have been instructed into the framework as part of the US Air Force surety programme to ensure the operational resilience of the Lakenheath base.

During the year, we have also been successful in securing places on two key frameworks, one at Heathrow Airport and the other for the Defence Infrastructure Organisation which we anticipate will lead to significant workload opportunities for 2023 onwards.

Roads and Highways

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

Works for UK Health Security Agency (formerly Public Health England) continued in 2022 with VolkerFitzpatrick completing the remaining drainage and earthworks and the energy centre strip-out as part of their programme to create a public health science campus in Harlow, Essex.

We continue to work with National Highways as their Integrator on the RDP Framework in the South. The A27 at Lewes in East Sussex is expected to be open for traffic in March 2023 and construction work on the A31 Ringwood is now complete and the scheme is open for traffic. We have agreed the budget for the M3 J9 Improvements, which is a major project, and have been instructed to start the development phase with a notice to proceed into the construction phase expected in December 2024.

We continue to work with National Highways on other Frameworks such as the Life Cycle Extension Works (Concrete Roads) Framework and the Scheme Delivery Frameworks in the East and Midlands.

We are also supporting our fellow RDP Framework Integrator Kier delivering the A417 Missing Link development phase as part of an alliance team led by Kier. This is a major improvement road scheme for National Highways near Cheltenham.

Other Highways Frameworks with both West Sussex and Hampshire GEN-4 in the South continue, with live schemes ongoing at Littlehampton and Botley.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Business review (continued)

The scheme at Botley progressed significantly in 2022, handing over the link road to the new school and realigning the existing Carriageway along woodhouse lane including a new roundabout and underpass. During this time we also secured the M27 junction 10 upgrade which will include a new structure being constructed in 2023/2024 ready to push into place over the Christmas 2024 period.

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.

Refurbishment of the existing steel box girders on the A38 Tame Valley Expressway (more commonly known as Spaghetti Junction) is well underway and progressing well. This is a major structures improvement scheme for Birmingham City Council.

Energy

Works started during the year on the design development phase for the Hornsea 3 project. Working for client Orsted, supported by our sister companies VolkerStevin and VTS we are delivering the cabling and HDD works for the Hornsea 3 Offshore Wind Farm Development.

Commercial Building

In view of the legacy impact of COVID 19 on the Commercial Office market, the sector continued to see lower activity for VolkerFitzpatrick in 2022. Activity however has been evident around the specific sub sector of Life Sciences. A key project in this category for VolkerFitzpatrick has been the 113,000ft² new build Apex Building which is part of the Tribeca Development in Camden, London. With completion scheduled for 2023 we have made significant progress on the project during 2022. When finished, this facility will provide state of the art laboratory and office space at the heart of London's Biotech cluster.

During the year, the company has also continued to demonstrate its expertise in delivering out-of-town business park new build office space. One example of this is a new 55,000 ft² Category A facility in Maidenhead at Foundation Park which will achieve completion in 2023.

In the retail sector VolkerFitzpatrick have also been delivering a two-storey exposed structural steel Sir Norman Foster designed building at Bishops Square, London during the year.

A significant project win in 2022 was in the fast-growing UK Film & TV Studio market. The Eastbrook Studios project in Dagenham will deliver much needed capacity in this industry, consisting of 12 sound stages, a 100,000 ft² office hub, associated workshops, and external works.

Industrial & Distribution

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

In 2022 VolkerFitzpatrick continued to experience success in this market. Close engagement with key customers and responding proactively to their speculative delivery requirements has provided significant new workload opportunities. Successful and flexible delivery based on industry leading experience and reliability has underlined our status as a delivery partner of choice. Aligned with our customers drive for sustainability and carbon management our expertise has been demonstrated with industry leading scores for BREEM Outstanding accreditations on completed projects during 2022.

During the year VolkerFitzpatrick have completed circa 1.9 million ft² of distribution centre projects including "London's most sustainable industrial scheme" in Tottenham as well as at various locations in London, Midlands, and the Northeast. New projects of circa 1.8m ft² have also been secured for 2023 in the Midlands and Northwest regions.

In the industrial manufacturing sector work has continued this year on a major expansion of Siemen Gamesa's wind turbine blade facility in Hull.

Presence has been maintained on the Royal Mail framework and continues to service the need for a fast-track response for their property portfolio needs although workload in 2022 has been lower than previous years.

Education

VolkerFitzpatrick have been steadily expanding their presence in the sector in recent year, and in 2022 delivered two new teaching accommodation buildings at a public school in Elstree Hertfordshire followed by a Pre-Preparatory School on the same campus.

Amongst other projects progressed in the year in the sector was Project CAVE, the world's first controlled air ventilation environment facility in Greater London for one of London's leading universities.

VolkerFitzpatrick Overseas Limited

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

During the year the business has commenced and progressed well on a major multi-year contract with the Defence Infrastructure Organisation (DIO) on the Falkland Islands to deliver facility upgrades to existing key installations.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Secured order book

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

At 31 December 2022 the Group's secured order book stood at £816.3 million (2021: £794.8 million).

Major secured contract works in 2022 included Eastbrook Studios, Hornsea 3 Onshore Export Cable Installation, A38 (M) Aston Expressway Tame Valley Viaduct strengthening, MPCs 2&3 Magna Park Corby, and Camp Hill Line Stations.

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

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

Going Concern

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

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

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

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 construction stages to ensure that risks are understood, managed, and clearly apportioned, which is the bedrock of any successful project business. We operate professional and responsible risk management to all financial, commercial, operational, and contractual aspects of the delivery of construction projects and oversight of our Group.

<i>Risk and Impact</i>	<i>Health, safety and quality</i>	<i>Mitigation</i>
<p>We recognise that we have a duty of care for the health, safety and welfare of our employees and those that may be affected by our activities.</p> <p>The risk is that the nature of our construction activities could cause harm to our employees and other stakeholders through injuries, health implications, damage and financial loss. This in turn can lead to reputational damage and enforcement action.</p>	<ul style="list-style-type: none"> • Culture, policy and strategy established by effective leadership. • Clearly defined management systems, registered to ISO. • Interfaces and responsibilities that are understood and accepted by all. • Board level focus on all HSEQ matters. • Our Plan Attitude Lead Share Behavioural safety programmes, have driven down our accident frequency rate. • Provision of a simple, yet robust framework, to protect, promote and support the mental well-being of our employees. • A number of other well-being programmes supporting our people. • Corporate governance, inspection and audit. 	

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

<i>Risk and Impact</i>	<i>Pre-construction</i>	<i>Mitigation</i>
<p>It is our vision to lead the industry in our approach to project risk management which starts at the pre-construction stage.</p> <p>Failure to identify, estimate and manage accurately the key risks associated with the project deliverables, programme, price including the impact of inflation, and the contractual terms could result in financial losses.</p>	<ul style="list-style-type: none"> • Third party advice is obtained around new and emerging markets. • Through a Group forum, we aim to identify early the clients and projects we wish to be involved with, including the likely terms of engagement. • Listening to our clients to meet and exceed their expectations in all areas including clear risk identification and allocation. • Defined delegated authority levels for approving all tenders. • Bid selection is vital as to not overstretch the tendering teams. • Focused, risk-based approach to tendering with margin and allowances commensurate with risk. • Systematic divisional and central reviews and challenge of the quality and accuracy of our risk assumptions, tender submissions, and pricing, including allowances for inflation. • Forum group reviewing current risk processes and implementing additional/improved controls and advice where required. • Ensuring lessons learnt applied through tender review processes. • Regular market analysis carried out to provide insight into inflation/other risk including materials, supply chain and transportation costs. 	

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2022

Risk Management (continued)

Engineering and operational delivery

Risk and Impact

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

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

Mitigation

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

Environmental

Risk and Impact

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

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

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

Mitigation

- Our sustainability strategy based on the key themes of People - Planet - Purpose sets out our approach. This is underpinned by our corporate responsibility framework and sustainability goals facilitating our responsible attitude towards playing our part in protecting the ecosystems in which we work and wherever possible enhancing the environment in which we work and live.
- ISO 14001 compliant environmental management system which assesses environmental conditions which may affect our activities at both fixed offices and our construction projects.
- Board level focus on all environmental matters including monitoring of environmental KPIs such as carbon footprint, energy consumption and waste.
- Interfaces and responsibilities that are understood and accepted by all, supported by behavioural programmes, inspection, and audit.
- Carbon reduction strategy committing the company to be net zero by 2035.

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2022

Risk Management (continued)

<i>Risk and Impact</i>	Systems and processes	<i>Mitigation</i>
<p>We are dependent on the quality of our processes, controls, and systems as well as the continued availability and integrity of IT systems to record and process data.</p> <p>Failure to control, manage and invest in our systems and processes including the IT environment will result in us not meeting the future needs of the business in terms of expected growth, security and innovation.</p> <p>IT system failure arising from new system integration and/or implementation could result in lack of access to critical data.</p> <p>An attack on our systems and/or networks, to expose, alter, disable, destroy, steal, or gain unauthorised access to or make unauthorised use of an asset could result in lack of access to critical data, operational disruption, adverse media coverage and loss of trust, fines/regulatory sanctions and third-party liability/class actions.</p>	<ul style="list-style-type: none"> • Continue investing in systems and processes that enable efficient and effective operations. • Clearly defined management systems, interfaces and responsibilities that are understood and accepted by all. • Monitor and control all aspects of IT systems access and performance. • Appropriate contingency plans to mitigate risk of systems loss. • New systems are only deployed after full testing. • Regular review and testing of data security controls. • Established cyber programme with robust security arrangements and active monitoring. • Proactive monitoring of networks and systems by third party security partner through log ingestion to a SIEM/SOC • Regular Penetration testing, vulnerability remediation and legacy technology reduction reduces likelihood of successful attacks. • Ensure any adopted joint venture partners' systems are fit for purpose and conform with the above. • Processes are in place to assess the Information Security and Architectural design from third party suppliers that store and process our data such as SaaS solutions. 	

<i>Risk and Impact</i>	Adequacy of insurance	<i>Mitigation</i>
<p>Failure to understand the terms of our insurance could lead to inadequate insurance cover.</p> <p>Lack of adequate insurance could result in inability to tender work, potential uninsured events and/or inadequate cover, resulting in financial loss or penalties.</p>	<ul style="list-style-type: none"> • Maintain appropriate insurance programmes to mitigate against significant losses in line with general industry practice • Suitable arrangements exist to underpin and support the operations and services. • A simplified schedule of our insurances is distributed within the business. • Regular review of our position with our broker and insurers to ensure that the optimum cover including terms is in place. • Regular broker reports and meetings are in place to review notices, claims and trends. 	

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

<i>Risk and Impact</i>	Fraud	<i>Mitigation</i>
<p>Damage to the reputation of the business through poor conduct and acts of fraud, bribery, corruption, or anticompetitive behaviour can all adversely impact corporate reputation and financial loss.</p>	<ul style="list-style-type: none"> • 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. • Zero tolerance attitude towards fraud and unethical behaviour which is reiterated in our policies, training, and communications re integrity. • Compliance Officer reporting directly to the Board. • Specific measures and controls in place to prevent unethical behaviour which are reviewed regularly by the Board. • Integrity clearly stated as one of our core values. • Compulsory training programmes for all different levels of the organisation. • Clear reporting mechanisms in place for individuals to report any suspected unethical behaviour. 	

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2022

Risk Management (continued)

<i>Risk and Impact</i>	Political, market and economic risk	<i>Mitigation</i>
<p>Political, market and economic factors play a significant part in investment decision making for our clients as well as pricing and availability of our supply chain and other partners.</p> <p>Failure to recover cost price increase from clients could impact the profitability and cash flow of the business.</p> <p>Changes in the economic environment, government policy and regulatory developments may impact on the number of new projects in the market, and the cost of delivering those projects, which in turn may impact on the profitability and cash flow of the business.</p> <p>The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and has contributed to an increase in the cost and scarcity of materials and labour.</p>	<ul style="list-style-type: none"> • Regular reviews to ensure that we are not overly exposed to any one aspect of market risk and appropriately responding to changes in legislation and policy. • Actively engage with our supply chain and clients to ensure that price changes reflect market movements and form part of ongoing contract negotiations. • Actively engage with our industry peers, financial partners, clients, and supply chain to ensure that we are aware of, and anticipating, changes in our market sectors, the wider UK economy, and the global marketplace. • The UK Board actively monitors the ongoing impact of the UK exiting the EU and the wider global impact around the covid pandemic and the Ukraine war, any market stimulation by the UK government, freedom of movement of labour, the impact on the supply chain and commodity prices and will adapt the strategy as necessary. 	
<i>Risk and Impact</i>	Business interruption	<i>Mitigation</i>
<p>The global pandemic, and in particular the risk of new and virulent variants could continue to have the potential to disrupt business continuity either because of illness of employees or our supply chain, or isolation to avoid illness. This could result in forced shut down of work sites for a prolonged period of time.</p> <p>Further examples such as a war can dramatically impact the availability of labour, goods and services causing hyperinflation and, in the extreme, resulting in suspension of operations with financial losses.</p>	<ul style="list-style-type: none"> • The health of our people is paramount, and we have developed procedures in line with government recommendations to limit the spread of infection. Ensure that all appropriate measures are taken to safeguard the workforce whether on site or in offices. • Business continuity measures and tracking in place to react and adjust to any event which may disrupt the ordinary course of business. • Technology enabled people with numerous remote working options to enable core support to continue during any enforced shutdown. • Enter dialogue with clients to ensure a minimum of disruption and reduction to revenues and cost mitigation. • Review options for government support and apply where relevant to enable business continuity and maintaining workforce when activity has reduced or in some cases ceased. • Good cash balances and measures in place to manage short term cash flow challenges through work site closures and corresponding reduction of revenues. • Ensure appropriate contractual mechanisms in place to mitigate and limit the risk of failures and funding issues associated with war, pandemic, and force majeure events. • A strategic and agile approach to procurement including use of trusted supply chain, advance purchasing and vesting and central tracking of market volatility. 	
<i>Risk and Impact</i>	Security/terrorist threat	<i>Mitigation</i>
<p>Protestor action, terrorist attack affecting our sites or break-ins could result in significant injury/loss of life, adverse media coverage, operational disruption and significant impact on revenue and costs.</p>	<ul style="list-style-type: none"> • Business continuity measures in place to react and adjust to any event which may disrupt the ordinary course of business. • Insurance is in place in respect of damage. • Close collaborations with clients (who usually hold protestor risk in construction contracts). 	

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

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Section 172(1) statement

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

The Board continues to take account of the impact of its decisions on all our stakeholders, who include our customers, supply chain, partners, employees, industry bodies, local community, and shareholders. We continue to ensure that the health, safety and wellbeing of our people and stakeholders remains central to everything we do.

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

- (a) the likely consequences of any decision in the long term
- (b) the interests of the company's employees
- (c) the need to foster the company's business relationships with suppliers, customers, and others
- (d) the impact of the company's operations on the community and the environment
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act as between members of the company

In the following section, we detail our key stakeholders, how the Directors have engaged with them, and how that engagement has influenced the decision making of the Board:

Clients

Introduction

We invest considerable time and effort to understand our clients' exacting needs to ensure full alignment with our service offering, and that we deliver with certainty on our commitments. We do this by effectively managing expectations and putting quality and customer satisfaction at the forefront of everything we do.

We are collaborative to the core and have a careful and measured approach to taking on new client work, which enables us to optimise high-calibre resources and bring our best to all our projects creating long-term sustainable solutions.

How we engaged:

Monthly business review meetings provide a forum for the Board to understand and challenge business leadership on areas such as customer engagement and satisfaction, operational and commercial performance, and customer initiatives.

Market outlook is a standing item on the agenda for each of these meetings and the Board regularly assesses the impact of external factors on long-term business strategy and engagement with our clients.

The Directors regularly meet with key client stakeholders and ensure that teams work in partnership with common goals and objectives. Coordination of client interactions is especially important where clients are common to more than one of our business lines.

Outcomes and actions, we took:

We develop longstanding and professional relationships with our clients at every level of the organisation.

We are careful to ensure our sites are established with high standards that reflect positively on our clients. We routinely measure this through our Considerate Constructors Scheme scores which have been consistently high across the business.

Our behavioural safety programmes, environmental, social and governance (ESG) strategies and our approach to EDI enables us to deliver a wider range of benefits for and with our clients. Each business develops a five-year strategic plan setting out its proposed sector focus and client base.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Supply Chain and Joint Venture Partners

Introduction:

Our supply chain and joint venture partners form an integral part of our commitment to offering our clients a quality service. We establish mutually rewarding, ongoing relationships with our suppliers and sub-contractors, and today work with many organisations with which we have a long and successful history of co-operation.

How We Engaged:

We hold business to business meetings with our largest suppliers and subcontractors prior to the start of a project and periodically as needed throughout every project.

We seek feedback from our supply chain during these and many other meetings and supplier days underpinned by our annual '360' survey.

We have regular relationship management meetings with our most important supply chain as part of our strategy to engage with and support our supply chain. These may be annually, half yearly or more often to suit mutual business needs.

We also host several supplier events and specialist workshops with suppliers.

Outcomes and actions, we took from our engagement:

In 2022 we continued to use the Enterprise Resource Planning system to improve exchanges of information within our supply chain.

We are compliant with the Prompt Payment Code and have made significant strides towards reducing our payment times for small and micro enterprises.

We prioritise and receive support from our most important supply chain to ensure that we get the best outcome at preconstruction stage, building a foundation for an excellent outcome on the project. Support can include competitive pricing, qualitative method statements, process planning, site staffing, material specification recommendations, and new ways of working. This advice will sit alongside overarching health and safety and sustainability planning where we work together on a 'business to business' basis.

Key Performance Indicators and other relevant statistics:

- Supplier payment performance for the year showed that the average time to pay an invoice was 28 days and 78% of invoices were paid within the agreed terms with suppliers
- 96% of invoices were paid within 60 days

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Employees

Introduction:

We are proud of our people and their commitment to consistently delivering excellence for our clients. We strive to create a balanced and sustainable business to the benefit of all stakeholders. We have established a people first business, and we promote a 'can-do' culture. We believe our people and our business are collaborative to the core, always authentic, naturally nurturing, distinctly dependable and open for originality.

At the top of the agenda on every meeting is safety, as the health, safety and wellbeing of our people is our top priority.

How We Engaged:

We measure the engagement of our people through a group-wide survey, which has shown improvement in 2022, as well as more targeted employee surveys on specific issues such as the wellbeing of our teams. We also undertook specific focus groups to obtain feedback on our renewed people strategy that was published in 2022.

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.

Maintaining the mental and physical health of employees is the cornerstone of our occupational health strategy. We have a range of additional support for both physical and mental wellbeing delivered through a directly employed occupational health team. We have 200 mental health champions providing direction and signposting guidance to anyone working on our behalf.

We launched our refreshed EDI strategy in April 2022, which outlines 8 areas of focus for the business including recruitment and retention, operational engagement, education, and supply chain. The strategy is executed through a Senior Leader led Steering Group and pan company Focus Groups for each of the workstreams. The company also has a network of 100 strong EDI Champions throughout our business.

We continue to review employee performance on a regular basis and agree individual development plans for all staff. We offer a range of development programmes at all levels of the organisation to support the development of our teams and the growth of our business leaders for the future.

VolkerFitzpatrick has been accredited with Investors in People since 2000 and in 2022 we achieved re-accreditation for a further 3 years, which will take us to a 25 year milestone.

Outcomes and actions, we took from our engagement:

The employee engagement survey in 2022 showed the team remained very engaged with a higher than industry average response, and higher engagement levels overall.

We launched our renewed people strategy in 2022, putting in place a series of employee focussed information hubs under the OurVolkerWessels People Plan, included access to a number of branded solutions such as an employee portal for benefits and career paths for key job families. We had a key focus in 2022 on the role of our career managers to support individual development and career planning.

We continue to develop new ways of working, focusing on communication, including targeted staff surveys to understand the engagement and wellbeing of our employees, as well as supporting our hybrid working arrangements, which have had a positive impact, particularly for office-based employees. The Board actively focuses on attracting and retaining a diverse population at all levels. Periodic, regular performance reviews are performed to ensure we develop and upskill our employees to their full potential. The Board also reviews and monitors remuneration to ensure a fair approach is adopted across the Group.

We continue to support our network of 26 cross-business EDI champions to support and challenge behaviours and lead, both locally and nationally, and created quarterly awareness campaigns to raise awareness of selected protected characteristics. In 2022 these were race, disability, LGBTQ+ and age. These campaigns included EDI roundtables, facilitated by our senior leadership team, which are open to all. We introduced a Reverse Mentoring programme within VolkerFitzpatrick which is now well underway with several cohorts participating.

We have an established network of universities, with whom we work in partnership and can offer industrial training placements (ITPs) to their students to support them as they work towards their degree as well as apprenticeships at many different levels. We are proud to be a member of the 5% club.

We work closely with industry based educational organisations such as the Chartered Institute of Building (CIOB), the Royal Institute of Chartered Surveyors (RICS), and the Institute of Civil Engineers (ICE) to help our people achieve professional accreditation in their chosen discipline.

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Employees (continued)

Key Performance Indicators and other relevant statistics:

Employee engagement, diversity, and inclusion

- Employee engagement score of 82% across four key engagement metrics (2021: 85%)
- In the 2022 National Centre for Diversity awards, VolkerWessels UK was named as both Engineering Company of the Year and Large Company of the Year, and ranked 15th in the listing of most inclusive companies across all industries
- VolkerFitzpatrick delivered EDI awareness training to 124 employees during 2022 and Inclusive Leadership training to 9 leaders across the Group

Investment in training and development

- We currently employ 124 graduates and 45 apprentices across the Group.
- In 2022, we took on 19 graduates and 25 Industrial Placement Students.
- In 2022 employees across the VolkerFitzpatrick Group attended 3,845 days of formal training courses
- During the year we also brought in 3 people on the kick start programme and provided work experience for 3 T-Level students

Health and Safety

- Accident Incidence Rate (AIR)¹ of 412 (2021: 183)
- Close Call Frequency Rate (CCF)² of 195.78 (2021: 157.11) - Increase in close call frequency rate, with over 11,913 reports raised, up from 8,752 in 2021.
- Lost Time Frequency Rate³ of 0.23 (2021: 0.14)
- Fourth RoSPA President's Award for VolkerFitzpatrick, and a RoSPA Gold Award for the 14th consecutive year
- VolkerFitzpatrick received the British Safety Council awards with distinction for the A31 Ringwood Widening project and merit for Gosforth Depot and Haberdashers' Aske's Boys School
- Minor Injury Frequency Rate (IFR)⁴ of 0.92 (2021: 0.92)
- All Reported Injury Rate⁵ of 1.08 (2021: 0.99)

¹Accident Incidence Rate (AIR) = (number of RIDDOR reportable injuries ÷ average headcount) x 100,000

²Close Call Frequency Rate (CCF) = (count of close calls ÷ total work hours) x 100,000

³Lost Time Injury Frequency Rate = (number of injuries with lost time ÷ total work hours) x 100,000

⁴Minor Injury Frequency Rate (IFR) = (number of minor injuries ÷ total work hours) x 100,000

⁵All reported injury rate = (all injuries ÷ total work hours) x 100,000

VolkerFitzpatrick Limited

Strategic Report

for the year ended 31 December 2022

Communities and Industry Bodies

Introduction:

We are committed to making a positive impact in the communities where we work. We strive to leave a legacy, not only through the projects that we deliver but also by supporting local communities, through engagement with schools, through charitable activity and by supporting local organisations.

Our People-Planet-Purpose sustainability framework builds on excellent foundations and unlocks our desire to take bold action to balance the needs of the environment and society alongside our growth as a business. It makes the commitment that 2020-2030 will be our 'Decade of Action' and sets a flexible, agile, and empowering structure for our organisation. It also enables us to convey to our stakeholders our collective ambitions and achievements. Each of the People-Planet-Purpose pillars has three 'themes' and a total of 23 high level metrics, which allow us to measure and monitor performance.

We recognise that it is essential that we have strong relationships with the numerous regulatory and professional bodies that we interact with to deliver quality service for our clients and remain a leader in our industry.

How We Engaged:

Our aim is to add value to our society, inspire others and support colleagues, clients, and suppliers in their own efforts to share time, skills, and resources in their chosen way. Our sustainability strategy is based on the key themes of People-Planet-Purpose and the focus is to create an adaptive capacity by making decisions informed by our inherent culture to do business in the right way.

We actively participate in opening doors for the next generation and provide careers advice and support to local schools and higher education facilities, to encourage more people to construction industry. These include careers fairs and other direct support for university students and other educational establishments.

Our Board members are on the Boards of a number of industry associations and the Board takes a pro-active approach towards participation in and support of industry initiatives.

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

We are also committed to working with several charities across the Group.

Outcomes and actions, we took from our engagement:

We track social value using the Impact Evaluation Standard (IES) which enables us to consistently report on the activities we are undertaking and the impact we are having on local communities, economies, and individuals across our business. We have a suite of core metrics, aligned to People-Planet-Purpose to add clear focus and direction for the company on the outcomes we want to achieve.

Our employees across the VolkerWessels UK Group have worked collaboratively with local communities and, during 2022, generated £544m of social value through local procurement and employment, schools' engagement, and other volunteering. The VolkerWessels UK charity of choice for 2022 was Samaritans, and we are proud to have donated £17,874 throughout the year to support their vital work. In addition to Samaritans, each part of the business supports both a corporate charity and various local initiatives close to our sites, projects, and offices.

Our directors across the VolkerWessels UK Group actively participate on the boards of Build UK, New Homes Quality Board, CECA, and the Railway Industry Association amongst others and we actively participate in Open Doors, to encourage young people to consider construction as a career of choice.

Key Performance Indicators and other relevant statistics:

- At the end of 2022, 61% of our live company car fleet and 93% of new car orders are either fully electric or hybrid

VolkerFitzpatrick Limited
Strategic Report
for the year ended 31 December 2022

Shareholders

Introduction:

As a member of the privately owned Dutch group, Koninklijke VolkerWessels B.V, VolkerWessels UK Limited and its subsidiaries apply the internal regulations set out by the group to ensure that it acts as between members of that company.

How We Engaged:

We engage with our shareholders and broader group through many informal as well as formal routes with a quarterly business review and reports.

Through knowledge sharing across the VolkerWessels UK Group we are able to share innovation in construction methods, sustainability and value engineering between the UK and our international counterparts.

Our Dutch parent business is able to obtain and share onwards relevant news content and information that VolkerWessels UK provides through a variety of channels, including the corporate and business unit websites, social media and traditional media outlets, and the annual review publication.

Outcomes and actions, we took from our engagement:

Our objectives are set and agreed through our five-year rolling business planning process and we review our sustainability and other non-financial targets as well as, financial targets with them on a regular basis.

VolkerWessels UK has contributed to the promotion of the group's success by the sharing of UK content for the parent company's annual report, and internal Spotlight newsletter.

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



RA Offord
Director

9 June 2023
Company registered number: 02387700

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerFitzpatrick Limited

Directors' Report

for the year ended 31 December 2022

The Directors present their annual Directors' Report and audited financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the financial year after taxation was £16.7m (2021: £15.7m). The directors do not recommend the payment of a final dividend (2021: £nil).

A dividend of £15.7m was paid during the year (2021: £25.0m).

Directors

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

RA Offord
NA Connell
JA Cox (Resigned 25 August 2022)
DJ Griffin
AS Harris (Appointed 25 August 2022)
AR Robertson
MG Woods
VolkerWessels UK Limited

Directors' indemnities

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

Employees

The Group is an equal opportunities employer.

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

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

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

Employee Engagement

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

Business relationships

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

Political and charitable contributions

During the year, the Group made charitable donations amounting to £53k (2021: £89k). The Company did not make any charitable donations (2021: £nil). Neither the Group nor the Company made any political donations during the year (2021: £nil).

VolkerFitzpatrick Limited

Directors' Report

for the year ended 31 December 2022

Other disclosures

Disclosures in respect of future developments and going concern of the Group are given in the Strategic Report. Information on financial instruments, financial risk management and exposure is given in note 25 of the financial statements.

There are no significant events since the balance sheet date to disclose.

Disclosure of information to auditor

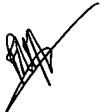
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves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

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

Auditor

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

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



RA Offord
Director

9 June 2023

Company registered number: 02387700

VolkerFitzpatrick Limited
Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerFitzpatrick Limited

Directors' Responsibilities Statement

for the year ended 31 December 2022

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 United Kingdom adopted international accounting standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

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

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

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

Independent Auditor's Report to the Members of VolkerFitzpatrick Limited for the year ended 31 December 2022

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of VolkerFitzpatrick Limited (the 'parent company') and its subsidiary (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards 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 which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statement 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 United Kingdom adopted international accounting standards 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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Independent Auditor's Report to the Members of VolkerFitzpatrick Limited for the year ended 31 December 2022

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

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

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

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

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

Contract revenue recognition, including recoverability and valuation of contract assets: as disclosed in Note 2 to the financial statements the company recognises revenue over time by measuring the progress towards full satisfaction of that performance obligation using an input method. Accordingly, in order for revenue to be recorded appropriately, management must forecast 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. In responding to the revenue recognition risk, we have performed the following procedures:

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

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

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

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

Independent Auditor's Report to the Members of VolkerFitzpatrick Limited for the year ended 31 December 2022

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

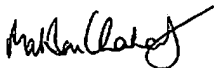
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Makhani Chahal ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

9 June 2023

VolkerFitzpatrick Limited
Consolidated Income Statement
for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Revenue	4	673,860	508,751
Cost of sales		(627,547)	(460,272)
Gross profit		46,313	48,479
Administrative expenses		(26,655)	(29,035)
Other operating expenses	5	(2)	-
Operating result		19,656	19,444
Financial income	9	1,067	3
Financial expense	10	(68)	(56)
Profit before tax	6	20,655	19,391
Income tax	11	(3,940)	(3,659)
Profit for the year		16,715	15,732
Profit attributable to:			
Equity holder of the parent company		16,715	15,732
		16,715	15,732

All results derive from continuing operations.

The notes on pages 34 to 73 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Profit for the year		16,715	15,732
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension plans	22	(1,684)	478
Adjustment for restrictions on the defined benefit asset	22	1,697	(461)
Other comprehensive income for the year, net of income tax		13	17
Total comprehensive income for the year		16,728	15,749
Total comprehensive income attributable to:			
Equity holder of the parent company		16,728	15,749
		16,728	15,749

The notes on pages 34 to 73 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
as at 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	12	1,871	2,356
Right-of-use assets	13	4,444	3,772
Trade and other receivables	17	8,888	5,730
Deferred tax assets	15	17	17
Total non-current assets		15,220	11,875
Current assets			
Inventories	16	243	3,735
Trade and other receivables	17	57,686	59,076
Contract assets	4	26,314	18,194
Cash and cash equivalents	18	117,332	109,653
Total current assets		201,575	190,658
Total assets		216,795	202,533

The notes on pages 34 to 73 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Statement of Financial Position
as at 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Equity attributable to equity holder of the parent			
Share capital	23	6,000	6,000
Retained earnings		39,591	38,563
		45,591	44,563
Total equity		45,591	44,563
Non-current liabilities			
Lease liabilities	19	2,507	2,374
Deferred tax liabilities	15	136	26
Total non-current liabilities		2,643	2,400
Current liabilities			
Lease liabilities	19	1,780	1,392
Trade and other payables	20	128,505	119,200
Contract liabilities	4	28,040	29,973
Provisions	21	5,839	925
Income tax payable		4,397	4,080
Total current liabilities		168,561	155,570
Total liabilities		171,204	157,970
Total equity and liabilities		216,795	202,533

The notes on pages 34 to 73 form an integral part of the consolidated financial statements.

These financial statements were approved by the board of directors on 9 June 2023 and were signed on its behalf by:



RA Offord

Director

Company registered number: 02387700

VolkerFitzpatrick Limited
Company Statement of Financial Position
as at 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	12	1,110	1,472
Right-of-use assets	13	4,444	3,772
Investments	14	20	20
Trade and other receivables	17	8,888	5,730
Deferred tax assets	15	55	17
Total non-current assets		14,517	11,011
Current assets			
Inventories	16	243	2,831
Trade and other receivables	17	57,613	58,658
Contract assets	4	26,314	18,194
Cash and cash equivalents	18	114,161	108,886
Total current assets		198,331	188,569
Total assets		212,848	199,580
Equity attributable to equity holder of the company			
Share capital	23	6,000	6,000
Retained earnings		37,918	37,230
Total equity		43,918	43,230
Non-current liabilities			
Lease liabilities	19	2,507	2,374
Deferred tax liabilities	15	-	26
Total non-current liabilities		2,507	2,400
Current liabilities			
Lease liabilities	19	1,780	1,392
Trade and other payables	20	127,613	117,866
Contract liabilities	4	26,898	29,703
Provisions	21	5,839	925
Income tax payable		4,293	4,064
Total current liabilities		166,423	153,950
Total liabilities		168,930	156,350
Total equity and liabilities		212,848	199,580

VolkerFitzpatrick Limited
Company Statement of Financial Position
as at 31 December 2022

The profit for the parent company for the year was £16.4m (2021: £15.7m).

The notes on pages 34 to 73 form an integral part of the consolidated financial statements. The Company has not published a separate Income Statement in accordance with the exemptions in s408 of the Companies Act 2006.

These financial statements were approved by the board of directors on 9 June 2023 and were signed on its behalf by:



RA Offord

Director

Company registered number: 02387700

VolkerFitzpatrick Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Attributable to equity holders of parent		Total equity £000
	Share capital £000	Retained earnings £000	
Balance at 1 January 2021	6,000	47,814	53,814
Comprehensive income			
Profit for the year	-	15,732	15,732
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax and adjustment for restrictions on defined benefit assets	-	17	17
Total comprehensive income	-	15,749	15,749
Transactions with owners			
Dividends payable (note 24)	-	(25,000)	(25,000)
Balance at 31 December 2021	6,000	38,563	44,563
Balance at 1 January 2022	6,000	38,563	44,563
Comprehensive income			
Profit for the year	-	16,715	16,715
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax and adjustment for restrictions on defined benefit assets (note 22)	-	13	13
Total comprehensive income	-	16,728	16,728
Transactions with owners			
Dividends payable (note 24)	-	(15,700)	(15,700)
Balance at 31 December 2022	6,000	39,591	45,591

The notes on pages 34 to 73 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Statement of Changes in Equity
for the year ended 31 December 2022

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	6,000	46,526	52,526
Adjusted balance at 1 January 2021	6,000	46,526	52,526
Comprehensive expense			
Profit for the year	-	15,687	15,687
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax and adjustment for restrictions on defined benefit assets	-	17	17
Total comprehensive income	-	15,704	15,704
Transactions with owners			
Dividends payable (note 24)	-	(25,000)	(25,000)
Balance at 31 December 2021	6,000	37,230	43,230
Balance at 1 January 2022	6,000	37,230	43,230
Comprehensive income			
Profit for the year	-	16,375	16,375
Other comprehensive income			
Actuarial gains on defined benefit pension plans, net of tax and adjustment for restrictions on defined benefit assets (note 22)	-	13	13
Total comprehensive income	-	16,388	16,388
Transactions with owners			
Dividends payable (note 24)	-	(15,700)	(15,700)
Balance at 31 December 2022	6,000	37,918	43,918

The notes on pages 34 to 73 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Profit for the year		16,715	15,732
Adjustments for:			
Depreciation of property, plant and equipment	6	462	43
Depreciation of right-of-use assets	6	1,735	1,485
Financial income	9	(1,067)	(3)
Financial expense	10	68	56
Loss on sale of property, plant and equipment	5	2	-
Payments to defined benefit plans		-	(3)
R & D expense credit		(807)	(2,219)
Income tax	11	3,940	3,659
Operating cash flows before movements in working capital		21,048	18,750
Increase in trade and other receivables		(1,768)	(11,605)
(Increase) / decrease in contract assets		(8,120)	7,568
Decrease/(increase) in inventories		3,492	(805)
Increase in trade and other payables		9,305	14,709
(Decrease) / Increase in contract liabilities		(1,933)	9,280
Increase in provisions		4,914	45
Cash flows from operating activities		26,938	37,942
Income tax (paid)/received		(2,715)	-
Net cash from operating activities		24,223	37,942
Cash flows from investing activities			
Interest received		1,067	3
Acquisition of plant, property and equipment		(54)	(2,287)
Net cash from / (used in) investing activities		1,013	(2,284)
Cash flows from financing activities			
Dividends paid to Group's shareholders	24	(15,700)	(25,000)
Interest paid		(68)	(56)
Repayment of lease liabilities	19	(1,789)	(1,478)
Net cash used in financing activities		(17,557)	(26,534)
Net increase in cash and cash equivalents		7,679	9,124
Cash and cash equivalents at 1 January		109,653	100,529
Cash and cash equivalents at 31 December	18	117,332	109,653

The notes on pages 34 to 73 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited
Company Cash Flow Statement
for the year ended 31 December 2022

	2022 £000	2021 £000
Profit for the year	16,375	15,687
Adjustments for:		
Depreciation of property, plant and equipment	298	43
Depreciation of right-of-use assets	1,735	1,485
Financial income	(1,060)	(3)
Financial expense	65	56
Loss on sale of property, plant and equipment	2	-
Payments to defined benefit plans	-	(3)
R & D expense credit	(802)	(2,219)
Income tax	3,869	3,649
Operating cash flows before movements in working capital	20,482	18,695
Increase in trade and other receivables	(2,113)	(11,226)
(Increase)/decrease in contract assets	(8,120)	7,568
Decrease in inventories	2,588	99
Increase in trade and other payables	9,747	13,424
(Decrease)/increase in contract liabilities	(2,805)	9,010
Increase in provisions	4,914	45
Cash from operating activities	24,693	37,615
Interest paid	-	3
Income tax paid	(2,911)	-
Net cash from operating activities	21,782	37,618
Cash flows from investing activities		
Interest received	1,060	-
Acquisition of property, plant and equipment	(13)	(1,403)
Net cash from / (used in) investing activities	1,047	(1,403)
Cash flows from financing activities		
Dividends paid to Company's shareholders	(15,700)	(25,000)
Interest paid	(65)	(56)
Repayment of lease liabilities	(1,789)	(1,478)
Net cash used in financing activities	(17,554)	(26,534)
Net increase in cash and cash equivalents	5,275	9,681
Cash and cash equivalents at 1 January	108,886	99,205
Cash and cash equivalents at 31 December	114,161	108,886

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The notes on pages 34 to 73 form an integral part of the consolidated financial statements.

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1 General information

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

2 Accounting policies

2.1 Basis of preparation

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

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with United Kingdom adopted international accounting standards. 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 which are measured at fair value 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 7. In addition, note 25 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 and Company meets its day-to-day working capital requirements through a centrally maintained group facility with VolkerWessels UK Limited (the "VWUK Group"), available for a minimum of 12 months from the signing of these financial statements. The VWUK Group has produced cash flow forecasts to assess the liquidity requirements throughout the going concern period and enable management to formulate appropriate and timely mitigation strategies. These demonstrate the Group and Company has sufficient cash reserves and facilities to enable the Group and Company to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements. The Group and Company is expected to continue to be in a position to obtain finance from the VWUK Group when required to operate for the foreseeable future. See note 25(c).

The Directors therefore have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for 12 months from the date of signing the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

2.4 Basis of consolidation

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

2.5 Jointly Controlled Operations

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

2 Accounting policies (continued)

2.6 Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency (Pounds 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.

2.7 Property, plant and equipment

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

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

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

2.8 Right-of-use assets

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

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

2.9 Leases

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used), and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

2 Accounting policies (continued)

2.10 Employee benefits

Defined contribution plans

The Group operates defined contribution pension schemes. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds.

Defined benefit plans

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

2.11 Contract assets and contract liabilities

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

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

2.12 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 financial assets, inventories and deferred tax assets

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

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

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

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

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

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

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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, financial instruments at amortised cost, cash and cash equivalents, loans and borrowings, and trade and other payables.

Investments in subsidiaries are carried at cost in the parent company financial statements.

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

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

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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

2.17 Impairment of financial instruments

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

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

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

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

2 Accounting policies (continued)

2.18 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.

2.19 Provisions

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

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

2.20 Financing income and expenses

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

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

2.21 Income Tax

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

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

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

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

2.22 Contingent liabilities

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

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

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

2.23 Cash and cash equivalents

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

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

2 Accounting policies (continued)

2.24 Revenue

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

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

Performance obligations satisfied over time

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

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

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

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

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

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

Performance obligations satisfied at a point in time

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

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

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

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

Construction contracts

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

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

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

2 Accounting policies (continued)

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

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

2.25 Changes in significant accounting policies

New amendments to Standards and Interpretations that have been adopted in the annual financial statements for the financial year ended 31 December 2022 are listed below:

- Reference to the Conceptual Framework (Amendments to IFRS 3) (effective 1 January 2022)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) (effective 1 January 2022)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018–2020 effective 1 January 2022)

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

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

- Presentation of financial statements' on classification of liabilities (Amendments to IAS 1) (effective 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective 1 January 2023)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2023)
- IFRS 17 Insurance contracts (effective 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective 1 January 2023)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (effective 1 January 2024)
- Non-current Liabilities with Covenants (Amendments to IAS 1) (effective 1 January 2024)

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

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

3 Accounting estimates and judgements

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

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

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

Intercompany cash pooling receivables classified as cash equivalents

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

In line with the daily operation of the cash pool, at the balance sheet date, a total of £92m (2021: £86m) has been swept out of the secondary account to bring the balance to £0. Therefore, there is an equal amount receivable to the entity from VWUK.

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

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

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

Key Sources of Estimation Uncertainty

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

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

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

(b) Variable consideration

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

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

4 Revenue

Disaggregation of revenue from contracts with customers:

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

	2022	2021
	£000	£000
Construction contract revenues	673,860	508,751
Total revenues	673,860	508,751

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

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

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

Revenue is recognised over time using an input method to calculate percentage completion relative to the estimated total contract costs or in the case of some cost-plus contracts revenue is calculated based on cost plus an agreed margin.

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

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

Contract balances

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

	2022	2021
	£000	£000
Contract assets	26,314	18,194
Contract liabilities	28,040	29,973

The contract assets primarily relate to the Company's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. All contract assets held at 31 December 2022 are expected to be invoiced and transferred to trade receivables within the next 12 months.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2022 are expected to satisfy performance obligations in the next 12 months.

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

	Contract assets	
	2022	2021
	£000	£000
As at 1 January	18,194	25,762
Transfers from contract assets recognised at the beginning of the year to receivables	(16,582)	(24,782)
Increase related to services provided in the year	25,730	18,888
Impairments on contract assets recognised at the beginning of the year	(1,028)	(1,674)
As at 31 December	26,314	18,194

VolkerFitzpatrick Limited
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4 Revenue (continued)

	Contract liabilities	
	2022	2021
	£000	£000
As at 1 January	29,973	20,693
Revenue recognised against contract liabilities at the beginning of the year	(25,855)	(16,088)
Increase due to cash received, excluding amounts recognised as revenue during the year	23,922	25,368
As at 31 December	28,040	29,973

The amount of revenue recognised in 2022 from performance obligations satisfied in previous periods is £8,804k (2021: £11,886k)

Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to performance obligations within contracts with customers that are partially or fully unsatisfied as at 31 December 2022 is £816,290k.

Management expects that 61% of the transaction price allocated to the unsatisfied contracts as of 31 December 2022 will be recognised as revenue during the 2023 financial year (£501,568k), 22% during the 2024 financial year (£177,786k) and 17% thereafter (£136,936k).

Assets recognised from costs to fulfil a contract

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

5 Other operating loss

	2022	2021
	£000	£000
(Loss) on disposal of property, plant and equipment	(2)	-

6 Profit before tax

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

	2022	2021
	£000	£000
Depreciation of plant, property and equipment		
- owned assets	462	43
- Right-of-use assets	1,735	1,483
Lease charges on short-term leases	177	265
Auditor's remuneration		
- audit of these financial statements	266	242
- audit of financial statements of subsidiaries	7	6

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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7 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:

	2022	2021
	No	No
Management & administrative	118	138
Operational	762	737
	<u>880</u>	<u>875</u>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	62,007	61,983
Social security costs	7,197	6,887
Contributions to defined contribution plans	5,988	4,803
	<u>75,192</u>	<u>73,673</u>

8 Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	923	1,413
Company contributions to money purchase pension plans	43	67
	<u>966</u>	<u>1,480</u>

The emoluments of the highest paid Director were £383k (2021: £421k) and company pension contributions of £2k (2021: £2k) were made to a money purchase scheme on their behalf.

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

	2022	2021
	No	No
Money purchase schemes	4	5

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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9 Financial income

	2022	2021
	£000	£000
Interest income on short-term bank deposits	13	3
Amounts receivable from related parties	1,054	-
Total financial income	1,067	3

10 Financial expense

	2022	2021
	£000	£000
Interest on lease liabilities	49	56
Net foreign exchange loss	19	-
Total financial expense	68	56

11 Income Tax

a) Analysis of the tax recognised in the income statement

	2022	2021
	£000	£000
<i>Current tax expense</i>		
<i>UK corporation tax:</i>		
Current year	3,986	3,398
Adjustments for prior periods	(152)	231
Current tax expense	3,834	3,629
<i>Deferred tax expense (see note 15)</i>		
Origination and reversal of temporary differences	(70)	305
Change in tax rate	-	1
Adjustments for prior periods	176	(276)
Deferred tax expense	106	30
Total tax expense	3,940	3,659

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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11 Income Tax (continued)

b) Reconciliation of effective tax rate

The total tax charge for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022	2021
	£000	£000
Profit for the year	16,715	15,732
Total tax expense	3,940	3,659
Profit before taxation	20,655	19,391
Tax using the UK corporation tax rate of 19% (2021: 19%)	3,924	3,684
Effects of:		
Expenses not deductible for tax purposes	7	19
Effect of change in tax rate - difference between corporation and deferred tax rates	(16)	1
Adjustments for prior years	25	(45)
Total tax expense	3,940	3,659

c) Tax recognised directly in other comprehensive income

	2022	2021
	£000	£000
Deferred tax income recognised directly in other comprehensive income	3	-

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

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

To calculate the current tax on profits, the rate of tax used is 19.0% (2021: 19.0%), which is the average rate of Corporation Tax applicable for the year.

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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12 Property, plant and equipment

Group	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1 January 2021	115	90	205
Additions	-	2,287	2,287
At 31 December 2021	115	2,377	2,492
At 1 January 2022	115	2,377	2,492
Additions	-	54	54
Disposals	(115)	(80)	(195)
At 31 December 2022	-	2,351	2,351
Depreciation and impairment			
At 1 January 2021	81	12	93
Charge for the year	16	27	43
At 31 December 2021	97	39	136
At 1 January 2022	97	39	136
Charge for the year	-	462	462
Disposals	(97)	(21)	(118)
At 31 December 2022	-	480	480
Net book value			
At 31 December 2022	-	1,871	1,871
At 31 December 2021	18	2,338	2,356

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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12 Property, plant and equipment (continued)

Company	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1 January 2021	115	90	205
Additions	-	1,403	1,403
At 31 December 2021	115	1,493	1,608
At 1 January 2022	115	1,493	1,608
Additions	-	13	13
Disposals	(115)	(80)	(195)
At 31 December 2022	-	1,426	1,426
Depreciation and impairment			
At 1 January 2021	81	12	93
Charge for the year	16	27	43
At 31 December 2021	97	39	136
At 1 January 2022	97	39	136
Charge for the year	-	298	298
Disposals	(97)	(21)	(118)
At 31 December 2022	-	316	316
Net book value			
At 31 December 2022	-	1,110	1,110
At 31 December 2021	18	1,454	1,472

VolkerFitzpatrick Limited
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13 Right-of-use assets

Group	Land and buildings	Plant, machinery and vehicles	Total
	£000	£000	£000
Cost			
At 1 January 2021	2,233	3,048	5,281
Additions	8	1,908	1,916
Disposals	(265)	(469)	(734)
Reclassification	(109)	(13)	(122)
At 31 December 2021	1,867	4,474	6,341
At 1 January 2022	1,867	4,474	6,341
Additions	-	2,467	2,467
Disposals	(82)	(984)	(1,066)
Reclassification	-	(59)	(59)
At 31 December 2022	1,785	5,898	7,683
Depreciation and impairment			
At 1 January 2021	579	1,240	1,819
Charge for the year	339	1,144	1,483
Disposals	(264)	(469)	(733)
At 31 December 2021	654	1,915	2,569
At 1 January 2022	654	1,915	2,569
Charge for the year	297	1,438	1,735
Disposals	(82)	(983)	(1,065)
At 31 December 2022	869	2,370	3,239
Net book value			
At 31 December 2022	916	3,528	4,444
At 31 December 2021	1,213	2,559	3,772

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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13 Right-of-use assets (continued)

Company	Land and Plant, machinery buildings and vehicles		Total £000
	£000	£000	
Cost			
At 1 January 2021	2,233	3,048	5,281
Additions	8	1,908	1,916
Disposals	(265)	(469)	(734)
Reclassification	(109)	(13)	(122)
At 31 December 2021	1,867	4,474	6,341
At 1 January 2022	1,867	4,474	6,341
Additions	-	2,467	2,467
Disposals	(82)	(984)	(1,066)
Reclassification	-	(59)	(59)
At 31 December 2022	1,785	5,898	7,683
Depreciation and impairment			
At 1 January 2021	579	1,240	1,819
Charge for the year	339	1,144	1,483
Disposals	(264)	(469)	(733)
At 31 December 2021	654	1,915	2,569
At 1 January 2022	654	1,915	2,569
Charge for the year	297	1,438	1,735
Disposals	(82)	(983)	(1,065)
At 31 December 2022	869	2,370	3,239
Net book value			
At 31 December 2022	916	3,528	4,444
At 31 December 2021	1,213	2,559	3,772

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

14 Investments

Company	Shares in Group undertakings £000	Total £000
Cost		
At 1 January 2021	20	20
At 31 December 2021	20	20
At 1 January 2022	20	20
At 31 December 2022	20	20
Net book value		
At 31 December 2022	20	20
At 31 December 2021	20	20

The shares in Group undertakings are all stated at cost less provisions for impairment.

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

Subsidiary undertakings	Principal activities	Class of shares held	Ownership % 2022	2021
VolkerFitzpatrick Overseas Limited	Construction	Ordinary	100%	100%

* directly held by the Company

All subsidiary undertakings are incorporated in England and Wales.

The registered office address for the subsidiary undertakings is Hertford Road, Hoddesdon, Hertfordshire, EN11 9BX.

Jointly controlled operations

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

	Principal activities	JCO partner(s)	Addresses	Ownership % 2022	2021
BMV	Construction	BAM Nuttall Limited and Morgan Sindall Construction & Infrastructure Limited	1, 2 & 3	25%	25%
VFK (Luton)	Construction	Kier Infrastructure & Overseas Limited	1 & 4	50%	50%
ALIGN	Construction	Bouygues Travaux Publics SAS & Sir Robert McAlpine Limited	1, 5 & 6	20%	20%
TfL, BRE	Construction	Morgan Sindall Construction & Infrastructure Limited	1 & 3	50%	50%
VFK (Lakenheath)	Construction	Kier Construction Limited	1 & 4	40%	40%

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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14 Investments (continued)

Jointly controlled operations (continued)

Address

1. Hertford Road, Hoddesdon, Hertfordshire EN11 9BX
2. St James House, Knoll Road, Camberley, Surrey, GU153XW
3. Kent House, Market Place, London WIW 8AJ
4. Tempsford Hall, Tempsford, Bedfordshire SG19 2BD
5. 1 Avenue Eugene Freyssinet, 78280 Guyancourt, France - Registered UK Branch, Becket House, 1 Lambeth Palace Road, London SE1 7EU
6. 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.

15 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	
	2022	2021	2022	2021
	£000	£000	£000	£000
Property, plant and equipment	-	-	(136)	(26)
Provisions	17	17	-	-
	<u>17</u>	<u>17</u>	<u>(136)</u>	<u>(26)</u>
Tax assets/(liabilities)	17	17	(136)	(26)
	<u><u>17</u></u>	<u><u>17</u></u>	<u><u>(136)</u></u>	<u><u>(26)</u></u>

Company	Assets		Liabilities	
	2022	2021	2022	2021
	£000	£000	£000	£000
Property, plant and equipment	38	-	-	(26)
Provisions	17	17	-	-
	<u>55</u>	<u>17</u>	<u>-</u>	<u>(26)</u>
Tax assets/(liabilities)	55	17	-	(26)
	<u><u>55</u></u>	<u><u>17</u></u>	<u><u>-</u></u>	<u><u>(26)</u></u>

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

15 Deferred tax assets and liabilities (continued)

b) Movement in deferred tax in the year

Group	1 January 2022 £000	Charge in profit or loss £000	31 December 2022 £000
Property, plant and equipment	(26)	(110)	(136)
Provisions	17	-	17
	<u>(9)</u>	<u>(110)</u>	<u>(119)</u>

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

Company	1 January 2022 £000	Charge in profit or loss £000	31 December 2022 £000
Property, plant and equipment	(26)	64	38
Provisions	17	-	17
	<u>(9)</u>	<u>64</u>	<u>55</u>

c) Movement in deferred tax in the prior year

Group	1 January 2021 £000	Charge in profit or loss £000	31 December 2021 £000
Property, plant and equipment	7	(33)	(26)
Provisions	17	-	17
	<u>24</u>	<u>(33)</u>	<u>(9)</u>

Company	1 January 2021 £000	Charge in profit or loss £000	31 December 2021 £000
Property, plant and equipment	7	(33)	(26)
Provisions	17	-	17
	<u>24</u>	<u>(33)</u>	<u>(9)</u>

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

16 Inventories

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Raw materials and consumables	243	3,735	243	2,831
	243	3,735	243	2,831

Raw materials and consumables recognised as cost of sales in the year amounted to £44,342k (2021: £55,983k).

17 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade receivables	65,352	63,426	64,247	63,028
Amounts owed by group undertakings (Note 27)	592	828	1,624	808
Prepayments	613	537	613	537
Other receivables	17	15	17	15
	66,574	64,806	66,501	64,388
Current	57,686	59,076	57,613	58,658
Non-current	8,888	5,730	8,888	5,730
	66,574	64,806	66,501	64,388

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

Trade receivables included retentions of £8,888k (2021: £5,731k) relating to construction contracts in progress.

18 Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Cash	25,726	23,389	25,646	22,622
Cash equivalents	91,606	86,264	88,515	86,264
	117,332	109,653	114,161	108,886

The availability of an amount of £25,542k (2021: £9,124k) is subject to restrictions. This relates to bank accounts where the use of the funds is restricted.

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

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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19 Lease liabilities

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

The majority of vehicle leases are sublet from a fellow group undertaking (see Note 27 for details of these related party transactions). With the exception of short term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The Group and Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 12). Leases of vehicles have a lease term of 1 to 4 years, and leases of property generally have a lease term ranging from 1 to 10 years. Lease payments are all fixed amounts.

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

Amounts recognised in Income Statement

	2022	2021
	£000	£000
Interest on lease liabilities (Note 10)	49	56
Expenses relating to short-term leases (Note 6)	177	265
Depreciation on right-of-use assets (Note 6)	1,735	1,483
	<u> </u>	<u> </u>

Lease liabilities in the Balance Sheet

	2022	2021
	£000	£000
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Less than one year	1,780	1,434
One to five years	2,615	2,310
More than five years	47	112
	<u> </u>	<u> </u>
Lease liabilities - undiscounted cash flows	4,442	3,856
Discount	(155)	(90)
	<u> </u>	<u> </u>
	4,287	3,766
	<u> </u>	<u> </u>
Current	1,780	1,434
Non-current	2,507	2,332
	<u> </u>	<u> </u>
	4,287	3,766
	<u> </u>	<u> </u>

Amounts recognised in the Statement of Cash Flows

	2022	2021
	£000	£000
Payments for short-term or low value leases	177	265
Repayment of capital element of leases	1,789	1,478
Interest payments on lease liabilities	68	56
	<u> </u>	<u> </u>
Total cash outflow for leases	2,034	1,799
	<u> </u>	<u> </u>

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

20 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade payables	102,354	87,868	101,401	86,545
Amounts owed to group undertakings (Note 27)	2,397	2,997	2,365	2,997
Other tax and social security costs	21,501	19,944	21,636	19,965
Non trade payables and accrued expenses	2,253	8,391	2,211	8,359
	<u>128,505</u>	<u>119,200</u>	<u>127,613</u>	<u>117,866</u>
Current	<u>128,505</u>	<u>119,200</u>	<u>127,613</u>	<u>117,866</u>
	<u>128,505</u>	<u>119,200</u>	<u>127,613</u>	<u>117,866</u>

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

Included within Trade payables are contract accruals of £76,524k (2021: £59,585k) for the Group and £75,669k (2021: £59,585k) for the Company, which comprises of amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

21 Provisions

Group	Contract	Insurance	Warranty	Total
	provision	provision	provision	
	£000	£000	£000	£000
Balance at 1 January 2022	-	925	-	925
Charge to the income statement	2,997	240	1,677	4,914
Balance at 31 December 2022	<u>2,997</u>	<u>1,165</u>	<u>1,677</u>	<u>5,839</u>
Analysis of total provisions				
Current	2,997	1,165	1,677	5,839
	<u>2,997</u>	<u>1,165</u>	<u>1,677</u>	<u>5,839</u>
Company				
Balance at 1 January 2022	-	925	-	925
Charge to the income statement	2,997	240	1,677	4,914
Balance at 31 December 2022	<u>2,997</u>	<u>1,165</u>	<u>1,677</u>	<u>5,839</u>
Analysis of total provisions				
Current	2,997	1,165	1,677	5,839
	<u>2,997</u>	<u>1,165</u>	<u>1,677</u>	<u>5,839</u>

VolkerFitzpatrick Limited

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

21 Provisions (continued)

Contract provision

The contract provision represents the expected net loss of fulfilling contractual obligations, based on the Group's best estimate of cost to complete, and ignoring potential recoveries from clients or third parties that are not yet agreed. The provision is expected to be fully utilised over the next 12 months.

Insurance provision

Insurance provision relates to amounts payable by the business in the future in respect to claims settled and the relevant claims settlement expenses. It includes provision for claims incurred but not reported (IBNR), provisions for the estimated cost of settling claims incurred up to, but not paid at, the balance sheet date whether reported or not, together with the relevant claims settlement expenses.

Warranty provision

The warranty provision is for potential claims against work completed by the Group which have arisen after the made good defects certificate for those works has been issued by the client. The amount provided represents the Group's best estimate of the cost required to perform the related rectification works, ignoring potential recoveries from third parties that are not yet agreed, but where the detail and timing of that work remains uncertain.

22 Employee benefits

Defined benefit plans

The Group operates two defined benefit pension plans:

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

VolkerFitzpatrick Limited Pension Scheme

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

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

VolkerFitzpatrick Limited Greenwich Pension Scheme

This scheme is a UK registered trust based pension schemes that provide defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee of 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 both plans, the defined benefit obligation is valued by projecting the best estimate of future benefit payments (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the year-end. The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method.

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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22 Employee benefits (continued)

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.

Group	2022	2021
	£000	£000
Total defined benefit asset	10,573	16,311
Total defined benefit liability	(8,147)	(12,261)
	<hr/>	<hr/>
Net asset for defined benefit obligations	2,426	4,050
Opening restriction on the defined benefit asset	(4,050)	(3,545)
Movements in the restriction included in profit or loss	(73)	(44)
Movements in the restriction included in other comprehensive income	1,697	(461)
	<hr/>	<hr/>
Total employee benefits	(2,426)	(4,050)
	<hr/>	<hr/>

Adjustment for restrictions on the defined benefit asset

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

VolkerFitzpatrick Limited
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22 Employee benefits (continued)

Movement in net defined benefit asset

Group

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2022	2021	2022	2021	2022	2021
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(12,261)	(13,502)	16,311	17,047	4,050	3,545
Included in profit or loss						
Interest (cost)/income	(219)	(163)	292	204	73	41
Administration cost	(13)	(17)	-	-	(13)	(17)
	<u>(12,493)</u>	<u>(13,682)</u>	<u>16,603</u>	<u>17,251</u>	<u>4,110</u>	<u>3,569</u>
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	21	21	-	-	21	21
- Changes in financial assumptions	-	1,123	-	-	-	1,123
- Experience gain/(loss)	3,920	(21)	-	-	3,920	(21)
Return on plan assets excluding interest income	-	-	(5,625)	(645)	(5,625)	(645)
	<u>3,941</u>	<u>1,123</u>	<u>(5,625)</u>	<u>(645)</u>	<u>(1,684)</u>	<u>478</u>
Other						
Contributions paid by the employer	-	-	-	3	-	3
Benefits paid	405	298	(405)	(298)	-	-
Balance at 31 December	<u>(8,147)</u>	<u>(12,261)</u>	<u>10,573</u>	<u>16,311</u>	<u>2,426</u>	<u>4,050</u>

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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22 Employee benefits (continued)

Plan assets

Group	2022	2021
	£000	£000
Cash and cash equivalents	25	107
Equities and other growth assets	4,729	3,566
Bonds and liability driven investments	2,552	8,166
Annuities	3,267	4,472
Total	10,573	16,311

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	2022	2021
	%	%
Discount rate	4.8	1.8
RPI inflation	3.1	3.3
RPI inflation linked increases in deferment	3.1	3.3
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.2
CPI inflation	2.3	2.5
CPI inflation linked increases in deferment	2.3	2.5
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.2	3.3

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	Female
	Years	Years
Current pensioner aged 65	21.4	23.8
Future retiree upon reaching 65 in 20 years	22.4	24.9

Sensitivity analysis

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

VolkerFitzpatrick Limited
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22 Employee benefits (continued)

Group	Change in assumption	2022 +0.5% £000	2022 -0.5% £000	2021 +0.5% £000	2021 -0.5% £000
Discount Rate	+/- 0.5%	407	(407)	(1,103)	981
Inflation (RPI)	+/- 0.5%	(81)	81	168	(223)

In valuing the liabilities of the pension fund at £8,147k (2021: £12,261k), 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 2022 would have increased by £326k (2021: 490k) before deferred tax.

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

Funding

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

Defined contribution plans

The Group also operates a number of defined contribution plans. The total expense for the Group was £5,988k (2021: £4,803k) and the creditor outstanding relating to these plans was £447k (2021: £408k).

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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22 Employee benefits (continued)

Company

	2022	2021
	£000	£000
Total defined benefit asset	10,573	16,311
Total defined benefit liability	(8,147)	(12,261)
Net asset for defined benefit obligations	2,426	4,050
Opening restriction on the defined benefit asset	(4,050)	(3,545)
Movements in the restriction included in profit or loss	(73)	(44)
Movements in the restriction included in other comprehensive income	1,697	(461)
Total employee benefits	(2,426)	(4,050)

Movement in net defined benefit asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2022	2021	2022	2021	2022	2021
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(12,261)	(13,502)	16,311	17,047	4,050	3,545
Included in profit or loss						
Interest (cost)/income	(219)	(160)	292	204	73	44
Administration costs	(13)	(20)	-	-	(13)	(20)
	(12,493)	(13,682)	16,603	17,251	4,110	3,569
Included in Other Comprehensive Income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	21	21	-	-	21	21
- Changes in financial assumptions	-	1,123	-	-	-	1,123
- Experience gain/(loss)	3,920	(21)	-	-	3,920	(21)
Return on plan assets excluding interest income	-	-	(5,625)	(645)	(5,625)	(645)
	3,941	1,123	(5,625)	(645)	(1,684)	478
Other						
Contributions paid by the employer	-	-	-	3	-	3
Benefits paid	405	298	(405)	(298)	-	-
Balance at 31 December	(8,147)	(12,261)	10,573	16,311	2,426	4,050

VolkerFitzpatrick Limited
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22 Employee benefits (continued)

Plan assets

Company	2022	2021
	£000	£000
Cash and cash equivalents	25	107
Equities and other growth assets	4,729	3,566
Bonds	2,552	8,166
Annuities	3,267	4,472
Total	10,573	16,311

Actuarial assumptions

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

Company	2022	2021
	%	%
Discount rate	4.8	1.8
RPI inflation	3.1	3.3
RPI inflation linked increases in deferment	3.1	3.3
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.2
CPI inflation	2.3	2.5
CPI inflation linked increases in deferment	2.3	2.5
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.2	3.3

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	Female
	Years	Years
Current pensioner aged 65	21.4	23.8
Future retiree upon reaching 65 in 20 years	22.4	24.9

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	2022	2022	2021	2021
		+0.5%	-0.5%	+0.5%	-0.5%
		£000	£000	£000	£000
Discount Rate	+/- 0.5%	407	(407)	(1,103)	981
Inflation (RPI)	+/- 0.5%	(81)	81	168	(223)

In valuing the liabilities of the pension fund at £8,147k, 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 2022 would have increased by £326k before deferred tax.

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

VolkerFitzpatrick Limited
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23 Share capital

	Company and Group	
	Number of shares	Ordinary shares £000
Allotted, called up and fully paid		
At 31 December 2021 and 31 December 2022	6,000,000	6,000

The 'A' and 'B' ordinary shares rank pari passu but must be issued in equal numbers. 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.

24 Dividends

An interim dividend of £15,700k representing 262 pence per share was paid during the year (2021: £25,000k representing 417 pence per share). No final dividend is payable (2021: £nil).

25 Financial instruments

a) Fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Contract assets

The fair value of contract assets 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.

Contract liabilities

The fair value of contract liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the year-end if the effect is material.

Cash and cash equivalents

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

Interest bearing loans and borrowings

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

There is no significant difference between the carrying amount and fair value of any financial instrument for the Company or Group. The valuation methods of all the Company's financial instruments are classified as Level 2. There are no financial instruments that are measured at amortised cost but for which fair value is classified as Level 1 or Level 3 either in current year or in prior year.

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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25 Financial instruments (continued)

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

	Note	Group		Company	
		2022 £000	2021 £000	2022 £000	2021 £000
Financial assets at amortised cost					
Trade and other receivables	17	65,961	64,269	65,888	63,851
Contract assets	4	26,314	18,194	26,314	18,194
Cash and cash equivalents	18	117,332	109,653	114,161	108,886
Total financial assets at amortised cost		209,607	192,116	206,363	190,931
Total financial assets		209,607	192,116	206,363	190,931
Financial liabilities at amortised cost					
Trade and other payables	20	104,750	90,454	103,766	89,081
Contract liabilities	4	28,040	29,973	26,898	29,703
Lease liabilities	19	4,287	3,766	4,287	3,766
Total financial liabilities at amortised cost		137,077	124,193	134,951	122,550
Total financial liabilities		137,077	124,193	134,951	122,550
Total financial instruments		72,530	67,923	71,412	68,381

Trade and other receivables above exclude prepayments and accrued income.

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

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25 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 trade receivables and contract assets from customers.

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the year-end, namely cash and cash equivalents, trade and other receivables and contract assets. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. An analysis of amounts that are past due but not impaired is shown below. None of the Group's financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds and other short-term financial assets is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

The Group manages the collection of retentions through its post completion project monitoring procedures and ongoing contact with clients to ensure that potential issues which could lead to the non-payment of retentions are identified and assessed promptly

The Group's financial assets are subject to the Expected Credit Loss (ECL) model of IFRS 9. The Group has calculated the ECLs for financial assets at amortised cost and cash and cash equivalents as nil. In order to assess the ECLs instruments were grouped by counterparty type, age and instrument type. For further information on the Group's assessment of ECLs see the accounting policy for the impairment of financial instruments (note 2.17).

Exposure to credit risk

The carrying amount of financial assets and maximum credit exposure for the Group at 31 December 2022 was £209,607k (2021: £192,116k).

The carrying amount of financial assets and the maximum credit exposure for the Company at 31 December 2022 was £206,363k (2021: £190,931k).

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

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

Group	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Building	27,948	20,132	26,843	19,734
Civil engineering	37,404	43,293	37,404	43,293
	<u>65,352</u>	<u>63,425</u>	<u>64,247</u>	<u>63,027</u>

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25 Financial instruments (continued)

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Public sector customers	30,314	36,098	29,209	35,700
Private sector customers	35,038	27,327	35,038	27,327
	<u>65,352</u>	<u>63,425</u>	<u>64,247</u>	<u>63,027</u>

Credit quality of financial assets and impairment losses

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

Group	2022		2021	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	60,561	-	56,676	-
Past due (0-30 days)	2,581	-	3,829	-
Past due (31-120 days)	1,044	-	1,005	-
More than 120 days	1,166	-	1,915	-
	<u>65,352</u>	<u>-</u>	<u>63,425</u>	<u>-</u>

Company	2022		2021	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	59,456	-	56,278	-
Past due (0-30 days)	2,581	-	3,829	-
Past due (31-120 days)	1,044	-	1,005	-
More than 120 days	1,166	-	1,915	-
	<u>64,247</u>	<u>-</u>	<u>63,027</u>	<u>-</u>

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

At 31 December 2022 the Group and the Company had no impairment provision (2021: £nil) and did not provide against any debt during the year. For amounts which are past due at the reporting date, the Group and Company has not provided for as there has not been a significant change in credit quality and the Group and Company considers the amounts are recoverable.

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

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25 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 Group and Company principally from trade and other payables, taxation due, leases and borrowings. The Group and Company monitor working capital and cash flows to ensure liquidity risk is managed. A central treasury function in the UK parent company, VolkerWessels UK Limited, covering all UK subsidiaries ensures bank and intercompany borrowings are maintained at appropriate amounts.

Contractual maturity of financial liabilities

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

Group 2022	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and more £000
Trade and other payables	104,750	104,751	104,751	-	-	-
Contract liabilities	28,040	28,040	28,040	-	-	-
Lease liabilities	4,287	4,442	1,780	1,246	1,369	47
	<u>137,077</u>	<u>137,233</u>	<u>134,571</u>	<u>1,246</u>	<u>1,369</u>	<u>47</u>

Group 2021	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and more £000
Trade and other payables	90,455	90,865	90,865	-	-	-
Contract liabilities	29,973	33,199	33,199	-	-	-
Lease liabilities	3,766	3,856	1,434	1,129	1,181	112
	<u>124,194</u>	<u>127,920</u>	<u>125,498</u>	<u>1,129</u>	<u>1,181</u>	<u>112</u>

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25 Financial instruments (continued)

Company 2022	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and more £000
Contract liabilities	26,898	26,898	26,898	-	-	-
Trade and other payables	103,766	103,766	103,766	-	-	-
Lease liabilities	4,287	4,442	1,780	1,246	1,369	47
	134,951	135,106	132,444	1,246	1,369	47

Company 2021	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and more £000
Contract liabilities	29,703	32,929	32,929	-	-	-
Trade and other payables	89,081	89,541	89,541	-	-	-
Lease liabilities	3,766	3,856	1,434	1,129	1,181	112
	122,550	126,326	123,904	1,129	1,181	112

d) Market risk

Financial risk management

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

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

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

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

VolkerFitzpatrick Limited
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25 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	2022	2021
	£000	£000
Variable rate instruments Financial assets	<u>117,332</u>	<u>109,653</u>
Fixed rate instruments Financial liabilities	<u>4,287</u>	<u>3,766</u>
Company	2022	2021
	£000	£000
Variable rate instruments Financial assets	<u>114,161</u>	<u>108,886</u>
Fixed rate instruments Financial liabilities	<u>4,287</u>	<u>3,766</u>

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

A change of 100 basis points in interest would either increase or decrease equity by £1,130k (2021: £1,059k) for the Group. The sensitivity of 100 basis points represents the directors' assessment of a reasonably possible change, based on historical volatility.

e) Capital risk management

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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26 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 £18,091k (2021: £22,036k) which included an amount of £nil (2021: £770k) relating to the government's VAT Payment Deferral Scheme.

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

27 Related parties

Related party transactions

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

Compensation of key management

Key management personnel comprise of UK based Directors who are directly responsible for the Group's activities. Their emoluments are summarised below:

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Short-term employee benefits	923	1,413	923	-
Post-employment benefits (defined contribution plan)	43	67	43	-
	966	1,480	966	-

Pension Schemes

Transactions between the Group and the pension schemes are disclosed in Note 22 to the financial statements.

VolkerFitzpatrick Limited
Notes to the Consolidated Financial Statements
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27 Related parties (continued)

Related party transactions with fellow group undertakings

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

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Amounts owed by fellow group undertakings				
At start of year	828	327	808	307
Sales/income	2,205	1,601	3,257	1,601
Receipts	(2,441)	(1,100)	(2,441)	(1,100)
At end of year	592	828	1,624	808

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Amounts owed to fellow group undertakings				
At start of year	2,997	3,417	2,997	3,417
Expenses	(14,891)	(10,540)	(14,790)	(10,540)
Payments	14,291	10,120	14,158	10,120
At end of year	2,397	2,997	2,365	2,997

Terms and conditions of transactions with related parties

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

Lease liabilities

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Amounts owed to fellow group undertakings				
At start of year	1,962	1,816	1,962	1,816
New leases	2,213	1,138	2,213	1,138
Repayments	(1,125)	(1,006)	(1,125)	(1,006)
Other movements	(59)	14	(59)	14
At end of year	2,991	1,962	2,991	1,962

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27 Related parties (continued)

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

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Cash Pooling Balances with Group undertakings				
At start of year	86,264	80,173	86,264	80,173
Movements in cash pool balance	5,342	6,091	2,251	6,091
At end of year	91,606	86,264	88,515	86,264

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

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

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

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

The ultimate parent and largest group in which the results of the Company for this period are included is Koninklijke VolkerWessels B.V., a company incorporated in the Netherlands. Copies of the published consolidated financial statements may be obtained from the registered office of the ultimate parent: Rijssen office: Reggesingel 10, 7461 BA Rijssen, Postbus 206, 7460 AE, Rijssen, The Netherlands.