# 2013

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# construct
## report and accounts

BAM Construct UK Limited

# BAM Construct UK Limited Report and Accounts 2013




**Registered number**
3311781

# Chief Executive's review

**Graham Cash**
Chief Executive

## A steady and stable performance

2013 was another difficult year for most in our industry. Due to the lengthy nature of procurement and delivery of construction and property development projects, our sector felt the effects of recession later than the rest of the economy. Similarly, it will take longer for us to see the benefits of the recovery.

Nonetheless, I feel that BAM Construct UK Limited has withstood the effects of four years of recession well. Our financial performance in 2013 is reasonable given the market we are in and the impairments that have been recognised as we implement our property divestment strategy.

The Board and I have adopted a prudent strategy throughout the recession. Our main priorities have been to focus on service to our customers and on developing our own people. I derive great pride from the fact that, throughout the recession, our customers have continued to rate our services and the way our people perform, very highly. Customers consistently praise our people for their can-do, open, trustworthy and collaborative approach. They continue to say that is what makes BAM different from our competitors.

Over the past four years of recession we have concentrated on maintaining stability and steering a steady course. We have had five principal areas of focus: managing risk and opportunity; concentrating on getting the basics right; maintaining a safe, sustainable environment and making further progress towards our goal of zero harm; pioneering lean techniques; and developing unique capabilities in Building Information Modelling (BIM).

This combination has served us well and I believe has improved what we offer to customers. I am pleased that, as we see the first encouraging signs of recovery, we have managed to emerge from the recession the same sized company, still present in all of the regions of the UK, and still active in all of our markets. Unlike many of our competitors we have not had multiple restructures, nor closed offices, nor exited markets. Our leadership team has been stable throughout and we have retained our people.

Turning to our individual businesses, I am pleased to note progress in all of them.

## BAM Construction broadens its range

BAM Construction Limited achieved turnover for the year of £783.1m (2012: £837.9m) and a profit before tax of £7.2m (2012: £11.3m). Market conditions and the competition for new work remain challenging, however BAM Construction's innovative and collaborative approach continues to provide positive results. During the year it was also a conscious decision to maintain our capacity and retain as many people as possible.

# Chief Executive's review (continued)

In 2013, we won a number of prestigious new projects including the Graphene Institute for the University of Manchester; the AM&T facility for Rolls Royce and further work with Argent at King's Cross. BAM Construction Limited was reselected on to the Education Funding Agency's frameworks north and south, the Construction Framework South West and many other local frameworks.

Because of the range of our capabilities in property development, design, sustainability, Building Information Modelling (BIM) and facilities management, we consciously seek out complex projects where we add value to our clients and make the most of our full spectrum of capabilities. In many instances, the ability to draw on expertise in the other 24 operating companies in Royal BAM Group is an advantage. As a result, we are making progress into new sources of work such as airports and advanced manufacturing facilities.

During the year we were proud to see Her Majesty Queen Elizabeth formally open the Laboratory for Molecular Science in Cambridge, our largest ever project. Her Majesty also opened 1 Angel Square, the Co-operative's Headquarters in Manchester, which was also confirmed as receiving the highest-ever BREEAM Outstanding score in the world.

We were delighted to have been selected as preferred bidder for Google's new Headquarters in King's Cross. It is disappointing - from our point of view - that the building has now been delayed to at least 2017 as Google has asked its concept architects to go back to the drawing board. However, I am pleased that BAM will provide sustainability consultancy to Google, assisting them to redefine the sustainability vision for the new headquarters. We will advise both the client and project team on sustainable design, procurement, LEED, BREEAM and in meeting Google's Healthy Materials requirements.

Our unique capabilities on BIM within BAM Design Limited were critical factors in our selection as Google's preferred bidder and are key to our continuing involvement with Google. They are proving attractive to a range of new clients particularly in the advanced manufacturing industries.

## BAM FM grows and innovates

It is our intention to grow our Facilities Management ('FM') business to £100m turnover by 2017 and we made substantial progress on this goal in 2013 with the successful acquisition of Sutton Group Limited in January 2013. Sutton FM the Sutton business has increased our 'hard' FM capabilities and the two businesses are integrating well and are accessing a wider range of clients. As a consequence, turnover for the year has grown to £43.1m (2012: £30.0m) and operating profit to £8.9m (2012: £1.0m)

The FM business has pioneered a major innovation in BIM by enabling data to be collected throughout the design and construction phases, so that the data in the completed model can be used to automatically populate operations and maintenance manuals. This is a benefit for clients. Having the data electronically enables clients to maintain and operate their buildings more efficiently.

In October, we started trials of BIM for FM at the UCL Camden. It is early days but already we are recognising time savings on maintenance tasks of, on average, 25%. It is also enabling staff to sequence maintenance jobs more logically, so that in 15% of cases a second task can also be undertaken when they attend to a problem.

The FM team is collaborating with design and construction colleagues at the earliest stages of planning a project, so that the whole lifecycle of the building is taken into account when it is being developed. Client interest in these whole lifecycle capabilities is starting to create opportunities for our entire business

The senior FM team are contributing much thought leadership within their sector. I am pleased that our FM business is in the process of seeking chartered status with the Royal Institute of Chartered Surveyors.

# Chief Executive's review (continued)

### BAM Properties realising cash for further investment

Our strategy for 2013 was to let and sell some of our older commercial property portfolio. We have made good progress in this regard with lettings at three of our developments and two sales.

Our major speculative development, CONNECT110NS, in the heart of Glasgow's commercial and financial district, is progressing well. It is an exemplar of BAM's capabilities as it involves BAM Properties, BAM Design, BAM Construction, and BAM FM. We are fully implementing BIM for FM on the project. Although the development will not be ready for occupation until Summer 2015, already two of the nine floors have been let to Scotland's leading law firm, Brodies LLP, and tenancy terms are under discussion with two other leading organisations in Scotland.

### Looking forward

It is encouraging to see the signs of growth and recovery generally in the UK economy. However, there are scant signs of private developers returning to the market especially as one goes North. The demand from manufacturing industry and tertiary educational institutions is more encouraging.

Traditionally, companies in construction and property services face another set of challenges coming out of a recession. We have to keep a keen eye on product inflation and instability in our supply chain. We are also acutely aware that our people are our most valuable asset and are attractive to competitors who did not retain their staff in the lean years. Before long, there will be capacity issues in the industry where clients will need to pay more attention to reliability, trustworthiness and quality and will no longer be able to risk choosing solely on the lowest price available.

Therefore, our focus will remain concentrated on managing risk, developing and looking after our people and seeking high value, complex projects with clients who wish to work collaboratively and creatively.

We are blessed with 2,400 loyal, committed and talented members of staff. We could not have managed our way through these difficult years without them. The Board and I take this opportunity to thank each and everyone of them publicly for their hard work and commitment to BAM and our customers.

I would like to thank our new clients who have chosen us for the first time in 2013 and to thank our longstanding partners, consultants and subcontractors with whom we work again and again for their continuing support.

**Graham Cash**
Chief Executive
BAM Construct UK Limited
28 March 2014

# Strategic report

Group turnover
**£839.5m**
2012 - £917.2m down 8.5%

Profit before taxation
**£10.9m**
2012 - £13.9m down 21.6%

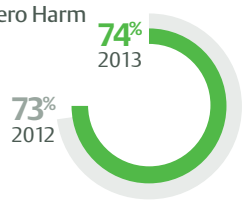
Year-end work in hand
**£1,853.0m**
2012 - £1,813.3m up 2.2%

Cash and cash equivalents
**£158.9m**
2012 - £194.7m down 18.4%

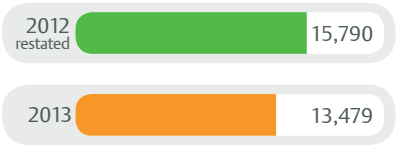
Shareholder's funds at year-end
**£116.0m**
2012 - £110.8m up 4.7%

Working capital
**£142.7m**
2012 - £146.9m down 2.7%

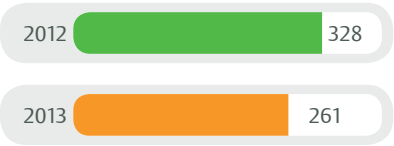
% of site Zero Harm




$CO_2$ emissions (tonnes)




All accident reports (No.)




The directors present their strategic report for the year ended 31 December 2013.

This Strategic report should be read in conjunction with the Chief Executive's review, the individual Sector reviews and the Sustainability report, each of which is incorporated by reference in (and shall be deemed to form part of) this Strategic report to the extent required by applicable law or regulation.

## Principal activities

BAM Construct UK Limited provides construction, plant, design, services engineering, property and facilities management services in the UK through its operating subsidiaries. The UK based civil engineering company BAM Nuttall is also part of Royal BAM Group. BAM PPP Ltd, a Royal BAM company which specialises in PFI investments also operates in the UK. BAM Construct UK collaborates frequently with both companies.

BAM Construct UK Limited (the group) is the holding company for the construction, design, services engineering, plant hire, property development and facilities management interests in the UK of its ultimate parent undertaking Koninklijke BAM Groep nv (Royal BAM Group).

## Group results

The profit before tax for the year was £10.9m (2012: £13.9m). After taxation, the profit attributable to the shareholder was £8.1m (2012: £9.1m). During the year a dividend of £4.0m was declared and paid (2012: £4.5m) and pension deficit repair contributions of £13.9m were paid (2012: £12.0m).

## Promoting the success of the company and the BAM brand

It is five years since the group adopted the full BAM brand, and the directors consider it important to raise its profile in the UK

| | **2013 £m** | 2012 £m | Change % |
|---|---|---|---|
| Turnover | **839.5** | 917.2 | (8.5) |
| Group operating profit | **8.8** | 13.0 | (32.3) |
| Profit after tax | **8.1** | 9.1 | (11.0) |
| Work in hand | **1,853.0** | 1,813.3 | 2.2 |
| Cash and cash equivalents | **158.9** | 194.7 | (18.4) |
| Working capital | **142.7** | 146.9 | (2.7) |
| Equity shareholder's funds | **116.0** | 110.8 | 4.7 |
| Current assets as % of current liabilities 'quick ratio' | **150.4%** | 146.4% | 4.0 |
| Average number of employees | **2,233** | 2,218 | 0.7 |

market as many of our competitors' trade under long established brand names.

As usual the Group participated in a range of client facing conferences, including for example, the annual conference of Directors of University estates and a Scottish government conference on asset management in Scotland.

The company engages in proactive media relations to generate positive publicity and the Chief executive appeared on ITN and BBC 4 commenting on economic conditions and the outlook for the construction industry.

BAM Construct UK Limited is a member of the UK Contractors Group ('UKCG') and the Confederation of British Industry ('CBI'). The directors and group staff contributed to its activities by participating on a range of committees such as IT in the industry, health and safety and sustainability.

## Review of the business

The key financial and other performance indicators performance during the year was as follows:

The group achieved a turnover of £839.5m and a group operating profit of £8.8m. The group has a continuing strong cash balance and is in a stable position as the UK economy emerges from recession.

Turnover decreased by 8.5% during the year. This was in line with business forecasts, which took into account the continued weakness in the UK construction market.

On 14 January 2013 the group acquired Sutton Group Limited , an acquisition that contributed £11.6m in turnover in the period post acquisition. The company was bought for a consideration of £4.1m in cash. Turnover for this company in the next financial year is expected to be higher than that achieved this year as the group's FM offering continues to grow.

Total operating profit decreased by 32% during the year. Most of the deterioration can be attributed to the property impairments taken in the year which are a crucial part of the existing strategy where by the old development portfolio is either let or sold. Profit after tax declined by 11.0%. Tax liabilities were again dramatically offset by significant pension payments, mitigating any further erosion to earnings.

Work in hand remains stable with a 2.2% increase in the year. BAM Construct UK Limited considers this commensurate with the existing size of the business and a good platform for growth in the year ahead. We note a growing number of opportunities in the market, albeit from a lower base than seen prior to recession.

While the cash and equivalents balance has decreased by 18.4% in the year, mainly as a reflection of the change in contracting terms under which business is conducted and the purchase of Sutton Group Ltd. BAM Construct UK Limited still retains significant cash deposits which continue to facilitate it conducting its business without being encumbered.

Working capital remains stable and is deemed sufficient for existing business requirements; it is in line with the previous period and current business forecasts.

Shareholder's funds continue to grow reflecting a stable and profitable business.

The group's 'quick ratio' (current assets as a percentage of current liabilities) has increased slightly in the period further highlighting the group's ability to meet its trading commitments and ensure that the supply chain is paid in line with the company's payment policy.

The total number of employees rose by 0.7% in the year. This was primarily due to the acquisition of Sutton Group Limited. This measure reflects BAM Construct UK Limited commitment to retain its workforce during the economic downturn and the fact that it has not needed to restructure during this volatile period.

In summary the results are in line with expectations.

### Payment Policy

While BAM Construct UK Limited does not follow a specific payment code, it is the group's policy that payments are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2013, the group had an average of 34 days (2012: 29 days) purchases outstanding in trade creditors (including trade creditors due in greater than one year). BAM Construct UK has a proactive policy of supporting management of its supply chain.

### Financial risk management

Financial risk management is an integral part of the group's management processes. Stringent policies designed to identify, manage and limit both existing and possible risks are applied at various management levels.

The group is exposed to potential credit risk on financial instruments such as liquid assets and trade debtors. Credit risk is managed by spreading its investments in liquid assets across financial institutions. In line with normal business practice, the group operates credit management procedures.

BAM Construct UK, along with other Royal BAM Group subsidiaries, has provided guarantees against bank loan facilities for Royal BAM Group. The directors have carefully considered the risks associated with the provision of these guarantees and are of the opinion that the Royal BAM Group will meet its obligations under these loan facilities.

Liquidity and cash flow risks are actively managed through the preparation and monitoring of medium term plans, budgets and quarterly forecasts. The strong cash balances within BAM Construct UK assist in mitigating the potential interest rate and cash flow risks associated with the tightening in the credit markets for funding future property developments. Compliance with loan covenants associated with the non-recourse finance obtained for BAM Properties' developments is monitored regularly.

Price risk is considered at a group level as part of the review of management forecasts, and at project level as part of the tender process, and is monitored on an on-going basis. The group has established procedures in place for tendering for new construction projects to identify and assess potential risks. These assessments are formally reviewed and adjudicated upon by directors of BAM Construction Ltd and also by the Board of BAM Construct UK.

In the light of the downturn in the UK economy, the group continues to review the spread of work in the construction sector and, in particular, to examine potential risks that may arise from clients' reassessment of project viability. However, the group considers that the strong component of public work in the future order book and the strength of the work already contractually committed mitigate the overall risk to BAM Construction.

Within BAM FM, price risk is mitigated through the process of benchmarking selected services within each contract. Benchmarking is typically carried out at five-year intervals from the commencement of each facilities management contract and adjusts the selected service price to reflect the current market value. Cash flow risk is managed through the inclusion of invoicing and payment cycle provisions within the facilities management concession contracts.

The directors have assessed and continue to monitor the positioning of each of the businesses.

### Competitive risks

The group is exposed to typical commercial risks experienced by commercial organisations operating within the same competitive markets of construction, design, services engineering, property development and the provision of facilities management services in the UK.

The group seeks to mitigate these risks by focusing on providing high quality services and having a mixed portfolio of projects across geographic and market sectors. The group also operates a highly selective approach to bid selection within BAM Construction, which includes maximising opportunities for framework contracts and negotiated projects. Letting risk is assessed by BAM Properties when considering new developments. BAM FM pays close attention to ensuring the high levels of service required are accurately priced to mitigate competitive risks.

### Business continuity
There were no events during 2013 that posed a threat to the continuity of the business.

### Legislative risks
The group is required to comply with all applicable legislation and, in particular, covering activities such as the Construction Industry Scheme and relevant building standards for construction and property developments and standards of food hygiene in the provision of facilities management services.

This is achieved through established best practice procedures that are available to all employees on the group's intranet and through specific training courses. BAM Construct UK Limited employs specialist staff with the relevant knowledge and experience in order to proactively manage these potential risks and ensure compliance at the highest level.

No significant uncovered risks were identified up to the date of this report.

### Assessment of principal risks
The directors of the operating companies and the Board of BAM Construct UK maintain and regularly consider a schedule of the principal risks facing the group and how to mitigate them. The current evaluation of these risks is as follows:

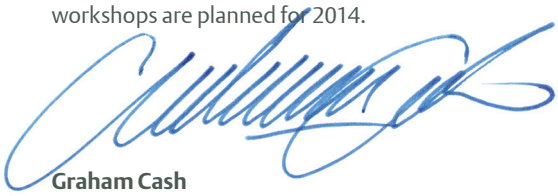
### Supply chain failures
Now that the economy is showing some sign of growth, there is a heightened risk of subcontractor failure owing to potential wage and product inflation. We remain vigilant regarding the choice of key subcontractors. We have refrained from adopting the new lengthier payment practices promulgated by some of our competitors and continue to pay promptly and to be supportive of our supply chain.

### Planned management changes
2014 will see some further retirements of senior staff. We are working through our succession plan and preparing successors for their new senior roles. We recognise that we need to become a more ethnically and gender diverse company to reflect the changing profile of our clients' organisations.

### IT systems
Our principal IT challenge is to keep up with the business need for more mobile technology to support our innovation in BIM and the application of lean principles.

### Health and safety
The overall rate of accidents is falling in the Group, but the serious accident rate is proving stubborn. We are continuing to examine more deeply the reasons for this and to evaluate which elements of our safety training are producing the required change in behaviour and which are less effective.

### Risk management generally
We are continuing to improve understanding and evaluation of risk throughout the group, particularly at project level, and further workshops are planned for 2014.



**Graham Cash**
Director and Chief Executive
BAM Construct UK Limited
28 March 2014

Sector review

# BAM Construction

In 2013 BAM Construction completed 77 projects and won 62 new projects.

Notable completions included The Leeds Arena, the extension and renovation of Africa House in London and a commercial, retail and residential development at Mann Island, Liverpool. Projects won included the Graphene Institute for the University of Manchester, an advanced manufacturing facility for Rolls Royce AEC in Derby, a new operating centre in Basingstoke – our fourth project for Network Rail, and the Softbridge Building (designed by Zaha Hadid) for St Anthony's College, Oxford University.

Work in education at all tiers, schools, academies, UTCs and universities remains an important part of our work, but BAM Construction Limited is consciously broadening the range of its portfolio. In 2013, we won further work on projects in advanced manufacturing, airports, leisure and sporting facilities, and commercial buildings.

Participation on frameworks suits our collaborative business model and therefore BAM Construction Limited was pleased to be selected on to the Manchester Airports Framework, the Education Funding Agency's academies framework and to be re-selected on to the Construction South West framework as well as many other local frameworks throughout the UK. We continue to work with a number of leading universities such as Manchester, Lancaster. Leeds Metropolitan, Strathclyde and Edinburgh.

BAM Construction Limited works with a number of leading developers of commercial buildings. For example, in 2013 we won a project to build a nine storey commercial and retail building in Chancery Lane London for Harrowwood Assets Ltd, and completed the renovation an extension of 1 Page Street, London for Derwent London PLC. Our longstanding relationship with the developer Argent LLP continues at King's Cross, London where we have now completed six projects as part of its regeneration of the area. One of our most important commercial projects is with BAM Properties Limited on the speculative development of a nine-storey office and retail building CONNECT110NS at 110 Queen Street in Glasgow.

During the year, our focus on combining the benefits of Building Information Modelling (BIM) with the application of lean thinking has enabled us to manage risk and opportunity more carefully, to improve our core processes, and to reduce waste. For example, we saved five weeks of programme time on our work at King's Science Academy. Our team at Boulevard Academy learned from the experience at King's Science Academy and again succeeded in reducing the programme time by a similar period. BAM completed a demanding programme to deliver the refurbishment of the Royal Theatre in Plymouth in just six months.

Our approach to lean construction involves the entire project team collaborating with our supply chain at the very early stages of a project to examine and sequence every aspect of the work. This approach contributes to our tight control of risk factors and our careful management and support of our subcontractors and suppliers.

The effects of recovery in the UK economy are not yet feeding into the construction market in any significant way although there are some signs of a stronger pipeline of work. Therefore, BAM Construction's strategy remains to be highly selective about the projects it seeks. We aim to avoid those projects where the lowest price is the sole determinant of success and to seek out higher value, complex projects which require high levels of skill, problem solving and collaboration.

The company's work was validated by a number of awards in 2013. Most notably, five of our construction managers were finalists in the Construction Manager of the Year Awards; two won gold medals in their category and one won silver. Steve Roome, our project manager on the construction of the new civic headquarters for Derby City Council, was deemed the overall winner of the Construction Manager of the Year Award.

# Sector review BAM Construction (continued)

BAM Construction obtains direct customer feedback from a structured hour-long face-to-face conversation with customers after the completion of a project. In 2013, we obtained feedback in this way for 70% of our completed projects. The average score from customers in 2013 was 8.4 (out of 10). When it comes to individual questions the strongest aspects of our performance (typically scoring nine out of ten) was for health and safety, managing environmental issues and the way we managed the site itself and stakeholder relationships. Our clients relay consistent, positive messages about our people: that they are 'can-do', proactive and responsive; work well as a team and exceed expectations.

A particular trend in the feedback in 2013 was a concern about the quality of our M&E subcontractors. This is a concern in the construction industry generally as some major M&E suppliers ceased operating in the UK market during the recession. Our response is to rely more heavily on our internal M&E capabilities in our Services Engineering division.

We take our customers' feedback seriously and use it to continuously improve our performance. Therefore we consider it important to report on it in a transparent manner.

National Indoor Arena (NIA), Birmingham

Sector review

# BAM Design

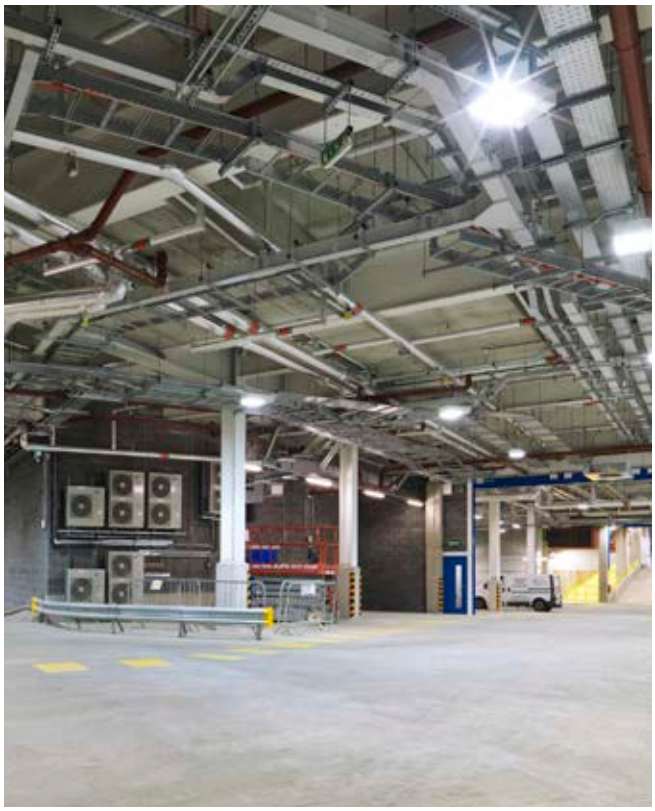
The design division continues to lead the implementation of BIM throughout our operations and has developed unique capabilities in 5 and 6 D BIM. Our expertise in BIM is helping to win new projects and new clients for BAM.

BAM Design had a turnover of £7.1m in fee income in 2014 and delivered a profit of £112k. The relatively low profit is indicative of the fact that our primary role for BAM Design is to improve our offering to our clients and our capabilities. The design team played a key role in a number of successful projects that were completed in 2013 such as Somerstown Community Hub, the Laboratory for Molecular Science in Cambridge and numerous academies. Similarly, they contributed to a number of project wins such as the Graphene Institute for the University of Manchester and the Veterinary School for the University of Surrey.

The design team and the sustainability teams work closely together to ensure a whole life cycle approach to the way we create a building. They are working with the FM team to ensure that operations and maintenance factors are included in the earliest stages of design, so that the benefits of BIM can be fully applied to the operation and management cycle of the completed building.

The design team have engaged in a number of thought leadership activities to spread the benefits and understanding of the potential of BIM for the built environment, for example by delivering a number of presentations at BIM Show Live in April 2013 and by publishing articles and blogs in a number of industry magazines and on-line forums.

King's Cross - B2 and B0, London



King's Cross - B2 and B0, London

Sector review

# Services Engineering

As a result of the recession, there are fewer high quality M&E subcontractors operating in the UK.

Procuring M&E packages is one of the riskiest areas of subcontracting for our construction business. Our response has been to strengthen our in-house capacity within our services engineering division. This reduces BAM Construction's dependence on external subcontractors and enables better supervision and management of external M&E subcontractors when we do engage them.

The Services Engineering team has expanded in size and now has some team members based in our offices in Bristol and in Leeds as well as in St Albans in the South of England.

The Services Engineering team has been helping project teams to better plan M&E services at the pre-construction planning stage on projects such as buildings B0, B2, and B4 at King's Cross.

Services Engineering continues to develop its expertise in BIM. For example, the team used advanced BIM 3D Revit to ensure better interface and special co-ordination of equipment purchased by our client Rolls Royce for its advanced blade casting facility in Rotherham.

Services Engineering is contributing to the work on our project at CONNECT110NS in Glasgow where we are trialling the application of BIM to every stage of the design and construction process and gathering data that will populate the operations and maintenance manuals so that the occupiers of the completed building can operate it more efficiently.

Leeds Arena

Sector review

# BAM Plant

Our plant division opened a new depot in Morley, West Yorkshire, enabling it to provide more support to sites in the North of England and Scotland.

Having an internal plant division has many benefits. As well as providing site accommodation and communications, BAM Plant assists our construction teams with complex manoeuvres such as aerial lifts of heavy machinery and installations sites where space is limited.

The BAM Plant team also advises site teams on the optimum specification of their site needs and enables site teams to benchmark local pricing of plant services.

Our Plant team has contributed two innovations in 2013. The team has designed a new specification for site eco-cabins that has the potential to reduce energy costs by up to 60% compared to a standard cabin. The team has also launched a new metering system that is installed and managed entirely by BAM Plant and enables sites to generate bespoke reports that can be used to identify ways of improving energy performance.

The Plant team are also developing skills in undertaking Cloud Point Surveys enabling project teams to plan refurbishments, renovations and extensions to existing buildings.


Plant transport

Sector review

# BAM FM

BAM FM completed the acquisition of Sutton Group Limited, now branded 'Sutton FM' in January 2013 and over the year, integration of the two businesses progressed well. Sutton's hard FM capabilities have enabled BAM FM to access a wider range of contracts and customers.

BAM FM's profit this year of £8.9m arose primarily due to a one off release of accruals following reassessment of a number of BAM FM's long term contracts. Nonetheless, the underlying performance of the business is healthy and BAM FM, with a turnover of £43m in 2013, is making good progress towards its goal of growing to £100m by 2017.

BAM FM has engaged in major innovation by applying BIM to facilities management and it is trialling its solution at the UCL Academy in Camden. Initial results indicate significant efficiency gains on planned preventative maintenance and on repairs.

The senior FM team have promoted the benefits of BIM for the facilities management industry at a number of conferences and in industry media.

There is considerable customer interest in BIM for FM and it is opening doors for the promotion of BAM's entire design, construction and asset management offering.


FM at Oriel High School and Knightsbridge Estates

Sector review

# BAM Properties

In accordance with the strategy of Royal BAM Group to strengthen its balance sheet, the primary focus of BAM Properties in 2013 was on letting and selling its current portfolio of developed properties in line with a carefully planned divestment schedule.

Additional lettings were secured at our developments in Manchester, Salford in the Midlands, and High Wycombe. Two properties were sold: Aztec West in Bristol and building A1 at Glory Park.

The price we are able to achieve for the disposal of older developments in the current market is lower than our holding values, and this is reflected in the overall result.

It is encouraging, however, that that the market is improving for commercial property.

BAM Properties acquired a new site in Glasgow in January 2011 as part of its strategy to poition itself to take advantage of new development opportunities when market conditions improve. Potential new developments are appraised using stringent financial assumptions with regard to forecast tenant demand, rental values and expected yields, as well as assessments of construction inflation.

The flagship development, CONNECT110NS in the prime financial and retail district of Glasgow City, is progressing well. Two floors of the nine-storey development have been let to a premier legal firm in Scotland, Brodies LLP. There is a healthy level of occupier interest in the development.

BAM Connislow, our specialist JV to develop student accommodation, is about to complete its first development in Durham and another four potential developments are under consideration.

BAM Properties is now ready to seek further commercial or retail development opportunities in prime locations.

CONNECT11ONS, 110 Queen Street, Glasgow

# Sustainability report

## Social value

BAM Construct UK Limited views its sustainability and community activity with increasing importance. Our goal is to do business ethically and in a way that creates social value for society generally as well as a financial return for the company and the shareholders of Royal BAM Group.

## Being an ethical business

BAM's values are to be trustworthy, reliable, considerate and creative. In order to be trustworthy and reliable, we recognise the need to have internal robust mechanisms to evaluate our own performance and our compliance with best practice.

Our business systems teams keep our procedures, guidances and forms under constant review to make sure they are fit for purpose.

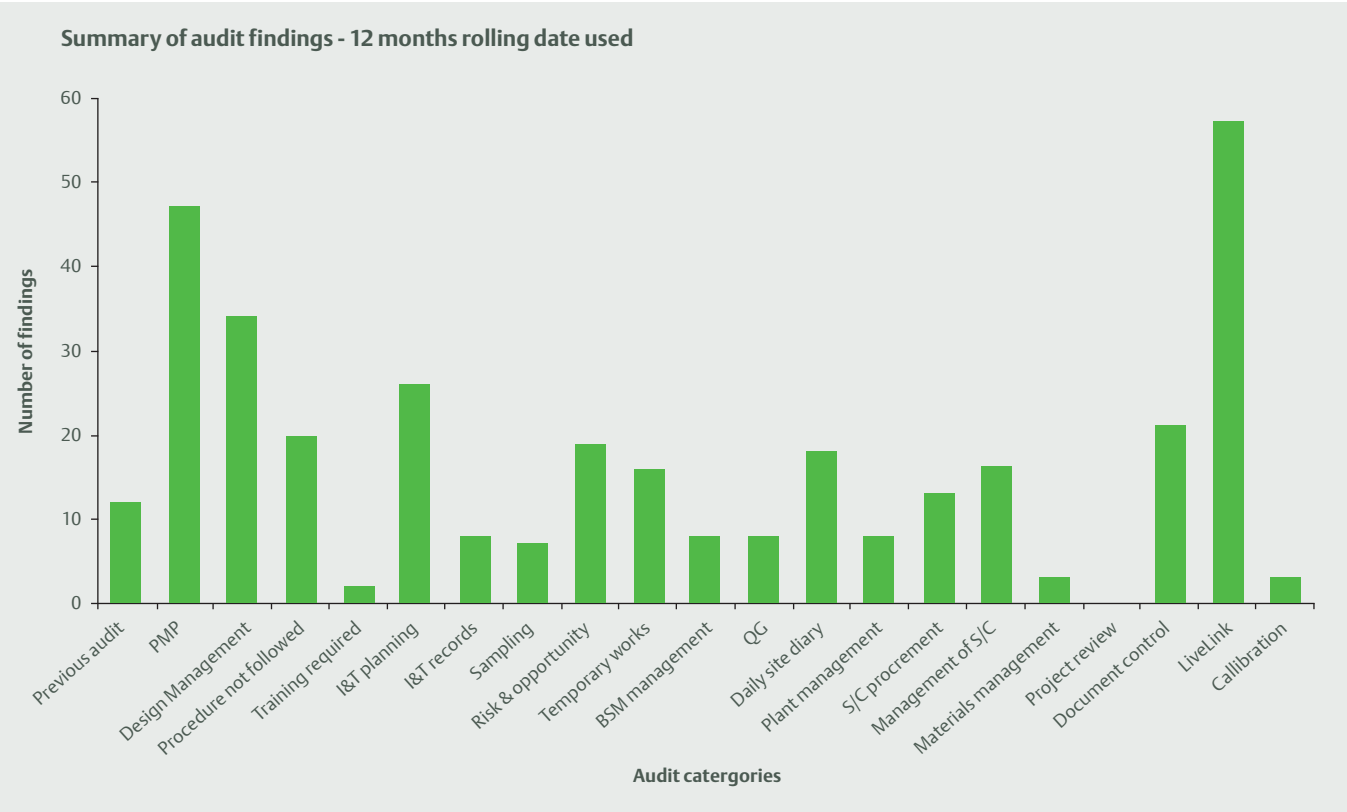
In addition, we carried out 258 internal audits in 2013. The results are shown in the table below.

Following a review of policies, BAM Construct UK Limited decided to register with the Information Commissioner and we formulated and published a data protection policy. This will be followed by data protection training for all relevant staff in 2014.

Most employees undertook an e-learning training course during 2013 on the requirements of the Bribery Act. There were no reported or detected breaches of the Bribery Act in 2013 or the company's Business Ethics policy. No employee availed of the confidential whistleblowing mechanisms available to them.

Like most businesses we pay constant attention to the risk of fraud and, during 2013, we took a number of steps to maintain our resilience against the increasingly sophisticated attempts by criminals to perpetrate fraud. The measures include frequent checks and reviews of levels of authorisation, maintaining robust security controls and counter checking with our banks, and regularly communicating to staff about the need to be vigilant about bogus requests for sensitive information.

We consider the attainment of appropriate accreditations as an important demonstration of the validity of our internal standards. For example, we are currently working towards the attainment of BS1:1000 standard for Collaborative Business Relationships. Our plant division is preparing for an ISO: 9001 assessment in the spring of 2014.



As part of the improvement of our intranet in 2012, we enabled access to our technical assistance web on the home page. The assistance web is where employees can pose questions and ask for advice about technical issues in real time. There was a marked increase in participation in the forum in 2013. The number of issues raised on the assistance web grew from 95 in 2012 to 164 in 2013, and the number of responses from 190 to 416. The number of views of the assistance web grew from 10,504 in 2012 to 39,362 in 2013.

BAM Construct UK Limited regards fair treatment of suppliers and subcontractors as an important part of creating social value and, in 2013, we continued to make payments in line with the company policy outlined in the Strategic report.

### Progress towards Zero Harm

Zero harm is the name of our programme to create a safe and healthy working environment for all of our employees and everyone who works with us. As well as observing the correct statutory requirements, and best practice in safety policies and procedures, we realise the most effective measure is direct engagement with employees and subcontractors to create mindfulness about safety and to make safety integral to every activity.

Our accident rate is reducing. The rate of no lost time incidents reduced from 255 in 2012 to 205 in 2013. Accidents that resulted in absences of up to seven days also reduced from 30 in 2012 to 23 in 2013. We attribute this to a number of activities including safe-to-start talks on sites every morning, encouraging employees to make personal pledges to guard their own safety and others' and measures such as incident boards.

However, the figure for major incidents of over seven days' absence has remained at 13 a year for the past three years. We are addressing this through a range of measures such as regular Directors' tours of sites and more visible leadership on safety by our senior managers. Our belief remains that accidents can be fully eliminated and we will continue to work towards that goal.

In 2012 we identified that temporary works was a source of risk. In 2013 we implemented a range of measures to reduce the risk

Derby Civic Offices

of temporary works, including designating a temporary works co-ordinator on every site. BAM's technical services team collaborated with the Temporary Works Forum, the CITB and others, to develop the first national training course for Temporary works Co-ordinators. The course is accredited under the CITB Constructions Skills Site Safety Plus Scheme.

Increasingly BIM is helping us to identify risks and to target safety talks and appropriate training before important tasks.

### Developing and supporting our people

Supporting our people and managing change is key to retaining and developing our staff.

There were seven changes at senior management level during 2013. In all cases the personnel changes were planned and communicated well in advance to employees and new appointees had coaching and/or formal training in preparation for their new levels of responsibility.

We are developing a competency framework with appropriate programmes to help to develop our future leaders.

Our construction team in the Midlands moved office. Again, employees were fully consulted and given assistance to mitigate any personal impacts arising from the new location.

We are collecting more data about diversity so that we can account more accurately for how well we are doing at encouraging people from all backgrounds to work with BAM. BAM Construction is participating in the UKCG 'Respect' campaign and the campaign was promoted on all construction sites.

The company launched an Employee Assistance Helpline for all employees. The service provides employees with confidential access to advice and counselling services on a range of topics from debt advice to bereavement. This is part of our strategy to promote health and wellbeing in BAM. The next phase of the strategy with concentrate on promoting awareness of mental health issues as our understanding, and that of society generally, becomes more aware of the incidence and effects of mental illness on employees' welfare.

In 2013 we launched BAM Benefits, a scheme that enables employees to obtain discounts from leading retailers. So far, employees have availed of the scheme for £1.2m of purchases with savings of £90k. Participation in the scheme is growing month on month.

We made adjustments to our life insurance and income protection policies to make them accessible to a wider group of staff and not contingent on being a member of the staff pension scheme.

Our pension scheme, run by Legal & General, achieved a Quality Pension Mark. 600 employees were auto-enrolled into a pension scheme to comply with the Pensions Auto-enrolment regulations. The opt- out rate was low at 6.5%

Orchard Hotel, University of Nottingham

# Sustainability report (continued)

In 2013, BAM Construct UK Limited was ranked 70 in the list of Sunday Times Best Companies to work for. This was up ten places from when we last participated in this benchmarking survey in 2011.

We aim to communicate frequently and meaningfully with employees. We achieve this through a number of channels, for example our intranet, which publishes new information every day about developments in the company. We published a staff annual 'People' to celebrate the achievements of our staff during 2013.

Increasingly, we are using social media channels such as Twitter, and Yammer to help employees keep up to date. More than 500 employees now share information and collaborate on Yammer.

Despite all of these new channels of communications, the Board still considers it important to meet each employee face-to face and, in March 2013, the Board staged roadshows for employees at eight locations throughout the country. More than 800 employees attended. In a feedback survey 93% of respondents rated the presentations as excellent or good, indicating that staff appreciate this channel of communication.

## Investing in training and opportunity

In 2013, BAM invested £1,303,077 (2012: £1,169,622) in training and development of our staff. Health and safety training accounted for 40% of the training delivered. This was supplemented by e-learning courses on display screen assessment and asbestos awareness.

In July 2013, we staged a national conference within BAM on lean principles. Two of our construction divisions - Scotland and North East - shared their experiences of implementing lean construction techniques. Following the conference, all of our construction divisions have now embraced the principles and have introduced their own lean management implementation programmes.

We continue to invest in developing the management potential of employees and 50 members of staff attended management development programmes at Roffey Park.

We currently have 51 trainees who joined us in the 2013/14 academic year and are pursuing day-release courses, and 13 students on industrial placements as part of their degree courses.

BAM operates a Shared Apprenticeship Scheme in partnership with Coventry City Council and Coventry City College. We were delighted that the scheme was awarded Apprenticeship Scheme of the Year by the Federation of Master Builders. To date, 12 people have successfully completed the apprenticeship scheme and 12 others are currently progressing through the scheme.

## Operating sustainably

BAM Construct UK Limited continues to improve its own sustainability performance and increase the expertise and advice it can offer our clients. For example, BAM joined the Ellen MacArthur CE100 to promote a circular economy.

Hilden Grange School, Tonbridge

We were delighted that the Co-operative's HQ was awarded the highest ever BREEAM Outstanding score, as we had provided sustainability advice during our construction of it.

During the year we launched a sustainability microsite that accounts transparently for our performance to date against our targets. The site contains a range of project case studies to demonstrate our approach. We also publish regular blogs on the site on topical subjects relating to best practice. They are frequently picked up in social media and in the print media.

In 2013, BAM was awarded Platinum status in the Business in the Community Corporate Responsibility Index. The award recognised that we had improved our performance on community engagement, on climate change and environmental management.

BAM joined the Supply Chain Sustainability School as a Partner member alongside most other major contractors in the UK. The purpose of the school is to up skill the UK supply chain. The school provides practical and free support, such as self-assessment e-learning modules, to enable organisations to assess their sustainability strengths, as well as identifying areas for development. The school also runs supplier days where members can discuss topical issues with each other and with major contractors.

### Leadership

BAM participates in the UKGBC Zero Carbon non-domestic Task Group, to assist the industry to reach energy efficiency standards proposed by the Government for implementation by 2019.

We currently chair the Grown in Britain Campaign to increase the use of UK grown timber within the construction sector. Increasing the market for timber grown in the UK has environmental benefits (through reforesting and reduced transport of materials from abroad). It also has a major economic advantage as the UK is the sixth largest importer of timber in the world. More than 99% of the timber used by BAM in 2013 was from verified legal and sustainable sources, with 94% from full chain of custody FSC or PEFC sources, or reused.

BAM assisted in the development of the ENCORD Waste protocol which was launched in 2013.

### Carbon performance

In 2013, we restated our emissions for all previous years to take account of updated guidance provided by Department for Energy and Climate Change.

BAM Construct UK Limited's carbon footprint in 2013 was 13,479 tonnes $CO_2e$, a reduction of 2,311 tonnes (15%) compared to our revised 2012 footprint. Our normalised emissions also reduced to 16.2 tonnes of $CO_2e$ per £m turnover, a reduction of 11%.

The largest reduction came from reducing the gas oil used on our construction sites by 31%. This is largely due to fewer generators being required throughout the year to power our sites. Our electricity consumption fell by 10% through continued improvements in efficiency from more efficient accommodation and energy management on construction sites. During 2013, we implemented a remote energy monitoring and management system and developed an energy-planning tool which will further improve our sites' ability to achieve savings.

Despite an increase in the number of drivers within the company, our overall business mileage fell by 523,000 miles and we have improved our company car fleet efficiency to 102g$CO_2$/km. The company continues to incentivise green travel options and invested £75,500 in a green car award scheme.

We are on track to meet our target to reduce emissions by 25% by 2015 compared to our performance in 2008. To date, we have reduced our emissions by 21%, saving 8,660 tonnes of $CO_2$ since June 2008 which equates to a monetary saving of approximately £5.1million.

### Waste performance

Our three year rolling average construction waste production (excluding demolition and excavation) up to the end of 2013 reduced to 134$m^3$/£1million, which is a 4% reduction on the previous year. We diverted 88% of all waste away from landfill, which is less than in 2012. This is due to more soils going to landfill rather than re-use at exempt sites. This is a trend in the industry arising from a reduction in exempt sites following regulation changes, and lower gate fees at landfill sites as they need the soil to meet planning conditions.

### Community

BAM wishes to be a good neighbour and to contribute value to the communities where we work. We have participated in the Considerate Constructors Scheme (CCS) for the past eight years. We have consistently achieved higher scores than the industry average. In 2013 the industry average was 35 out of 50 and we achieved 40 out of 50. The highest score achieved by anyone in the industry in 2013 was 47. Two of our sites achieved scores of 47: Manchester City Football Academy and the Jubilee Building at Musgrove Park hospital.

Twenty-four BAM projects have been selected for the CCS Site Awards that will be held in April in 2014. At the 2013 Awards, BAM received three gold awards, five silver and thirteen bronze awards, adding up to twenty-one in total.

BAM Construct UK Limited has raised £96,000 in its first year of its charity partnership with Macmillan Cancer Support (£71,000 from fundraising and £25,000 from matched funding from BAM). This will enable Macmillan to provide 3,500 nursing hours for people with cancer. It is well above our target to raise £50,000 per year for the two-year partnership, and is a result of our staff's enthusiastic attitude to findraising for the charity.

We also delivered four 'Paint and Fix' volunteering projects to support people with cancer. BAM's HR Managers have also attended Macmillan's 'Working with Cancer' training course.

We measure our community engagement and charitable investment against the standard criteria set by the London Benchmarking Group as demonstrated in the table below.

The principal outcomes of our community activity were:

- We provided more than 11,500 hours of staff time for community engagement, skills and opportunities support to local communities
- We leveraged £191,000 of support from our customers and supply chain partners
- 24,275 people benefitted from our community investment activity
- We provided 220 work experience placements.
- We provided learning and skills events for 14,000 young people

We were pleased to participate in the UK Contactors Group Open Doors weekend in 2013. We opened seven BAM sites around the country which were visted by approximately 600 people in total. We received many accolades and thanks from our visitors.

In 2013 we launched Team Time, which allows our project teams to apply for a grant of up to £1,000 from BAM to deliver community projects. In 2013, eight teams delivered community projects for local schools, sports clubs and Macmillan cancer patients. There are already ten projects in the pipeline for 2014.

BAM Construct UK community investment 2013

| Contributions | Total contributions | Mandatory contributions* | Voluntary contributions |
|---|---|---|---|
| **Cash** | £62,826 | £100 | £62,726 |
| **Time (inc management)** | £499,363 | £53,022 | £446,341 |
| **In-Kind** | £62,452 | £8,443 | £54,009 |
| **Total (2013)** | £624,641 | £61,565 | £563,076 |

*Mandatory contributions are those, which we contracted to undertake as part of our construction contract.

BAM Construct UK community investment 2012

| Contributions | Total contributions | Mandatory contributions* | Voluntary contributions |
|---|---|---|---|
| **Cash** | £91,852 | £4,383 | £87,469 |
| **Time (inc management)** | £471,280 | £75,938 | £395,343 |
| **In-Kind** | £28,856 | £1,089 | £27,767 |
| **Total (2012)** | £591,988 | £81,410 | £510,579 |

*Mandatory contributions are those, which we contracted to undertake as part of our construction contract.

# Directors' report

## The Directors present their report and group accounts for the year ended 31 December 2013.

This Directors' report should be read in conjunction with the Chief Executive's review, the Strategic report, the individual sector reviews and the Sustainability report, each of which is incorporated by reference in (and shall be deemed to form part of) this Directors' report to the extent required by applicable law or regulation.

### Dividends

During the year a dividend of £4.0m was declared and paid (2012: £4.5m).

### BAM Nuttall Limited and BAM PPP UK Limited

Communication and interaction continued between BAM Construct UK Limited and BAM Nuttall Limited during the year as the two companies collaborated on sharing knowledge and best practice in areas such as sustainability, marketing and communications, health and safety, and IT development.

BAM Construct UK Limited continues to work with Royal BAM Group's PPP Subsidiary, BAM PPP via BAM Construction Limited and BAM FM Limited. The group continues in collaboration with BAM PPP to assess suitable PFI projects to bid.

### Subsidiaries

The principal activities of subsidiary undertakings are shown in note 25 to the accounts.

### Qualifying third party indemnity provisions for directors

The group's ultimate parent undertaking, Royal BAM Group, maintains liability and indemnity insurance for its directors and officers and for those of its subsidiaries. This provision has been in place throughout the year and remains in force at the date of approving the Directors' report.

### Directors

The following served as directors of BAM Construct UK Limited during the year ended 31 December 2013 and up to the date of the report:

R Bailey
J R Burke
G Cash

### Consideration of going concern

The directors have reviewed the matter of preparing the financial statements under the going concern basis. They have considered:

- the level and quality of existing orders held by BAM Construction;
- the value of orders for the FM business;
- the carrying value of property development stock;
- the liquidity balances within the business;
- the principal risks and uncertainties already outlined in the previous sections of this report; and
- the future forecasts for the various businesses sectors in which the group operates.

After considering the above points, the directors have a reasonable expectation that the group has adequate resources to continue to operate viably for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the obligatory steps to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under section 485 of the Companies Act 2006.

### Future developments

The directors' aim to maintain the management policies which have resulted in the groups success to date.

**Graham Cash**
Director and Chief Executive
BAM Construct UK Limited
28 March 2014

# Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 the company and the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# Independent auditor's report to the members of BAM Construct UK Limited

We have audited the financial statements of BAM Construct UK Limited for the year ended 31 December 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

## Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Accounts 2013 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

# Independent auditor's report to the members of BAM Construct UK Limited (continued)

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

**David Wilson (Senior statutory auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 March 2014

Notes:

1. The maintenance and integrity of the BAM Construct UK Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

# Group profit and loss account

| At 31 December | Notes | 2013 £m | 2012 £m |
|---|---|---|---|
| **Turnover** | | | |
| Continuing operations: | | | |
| Ongoing | | **827.9** | 917.2 |
| Acquisitions - Sutton Group Limited | | **11.6** | - |
| Turnover | | **839.5** | 917.2 |
| Cost of sales | | **(818.0)** | (892.9) |
| **Gross profit** | | **21.5** | 24.3 |
| Operating and other administrative expenses | | **(14.6)** | (13.6) |
| Other operating income | | **2.2** | 2.3 |
| **Operating profit** | | | |
| Continuing operations: | | | |
| Ongoing | | **8.8** | 13.0 |
| Acquisitions - Sutton Group Limited | | **0.3** | - |
| | 2 | **9.1** | 13.0 |
| Profit on disposal of tangible fixed assets | 3 | **0.1** | 0.5 |
| **Profit on ordinary activities before interest and taxation** | | **9.2** | 13.5 |
| Interest payable and similar charges | 6 | **(1.9)** | (2.4) |
| Interest receivable and other income | 6 | **3.6** | 2.8 |
| **Profit on ordinary activities before taxation** | | **10.9** | 13.9 |
| Taxation | 7 | **(2.8)** | (4.8) |
| **Profit attributable to shareholder** | | **8.1** | 9.1 |

All items in the profit and loss account relate to continuing operations.

**Registered number**
3311781

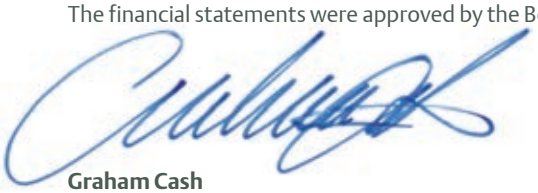
# Group statement of total recognised gains and losses

| For the year ended 31 December | 2013 £m | 2012 £m |
|---|---|---|
| Profit for the financial year | **8.1** | 9.1 |
| Actuarial gain/(loss) on HBG UK/GA pension schemes – gross | **4.9** | (7.9) |
| Actuarial gain/(loss) on HBG UK/GA pension schemes – current tax credit | **–** | 2.5 |
| Actuarial loss on HBG UK/GA pension schemes – deferred tax charge | **(0.2)** | – |
| Change in unrecognised pension scheme surplus | **(3.9)** | (2.4) |
| Effect of restriction on expected return | **0.3** | – |
| **Total recognised gains relating to the financial year** | **9.2** | 1.3 |

# Group balance sheet

| At 31 December | Notes | 2013 £m | | 2012 £m | |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 8 | | **1.1** | | – |
| Tangible fixed assets | 9 | | **4.9** | | 5.3 |
| | | | **6.0** | | 5.3 |
| **Investment in Joint Venture:** | | | | | |
| Share of gross assets | | | 0.9 | | – |
| Share of gross liabilities | | | (0.9) | | – |
| | | | – | | – |
| **Current assets** | | | | | |
| Land and property developments | 11 | **101.5** | | 111.8 | |
| Stocks of raw materials and consumables | | **0.1** | | 0.1 | |
| Debtors: amounts falling due within one year | 12 | **252.2** | | 255.0 | |
| Debtors: amounts falling due after more than one year | 12 | **8.5** | | 9.8 | |
| Cash at bank and in hand | 13 | **62.8** | | 87.1 | |
| | | **425.1** | | 463.8 | |
| Creditors: amounts falling due within one year | 14 | **(282.4)** | | (316.9) | |
| **Net current assets** | | | **142.7** | | 146.9 |
| **Total assets less current liabilities** | | | **148.7** | | 152.2 |
| Creditors: amounts falling due after more than one year | | | | | |
| Non-recourse bank loans | 14, 15 | **(21.5)** | | (16.0) | |
| Trade creditors | 14 | **(6.5)** | | (7.1) | |
| | | | **(28.0)** | | (23.1) |
| **Provisions for liabilities and charges** | 16 | | **(0.1)** | | (0.1) |
| Net assets excluding pension liabilities | | | **120.6** | | 129.0 |
| Pension liabilities | 22 | | **(4.6)** | | (18.2) |
| **Net assets including pension liabilites** | | | **116.0** | | 110.8 |
| Financed by: | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 17 | | **40.0** | | 40.0 |
| Profit and loss account | 19 | | **76.0** | | 70.8 |
| **Equity shareholder's funds** | 19 | | **116.0** | | 110.8 |

The financial statements were approved by the Board of Directors on 28 March 2014 and signed on its behalf by:



**Graham Cash**
Director and Chief Executive

# Company balance sheet

| At 31 December | Notes | | 2013 £m | | 2012 £m |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible fixed assets | 9 | | **2.5** | | 3.0 |
| Investment in subsidiaries | 10 | | **81.9** | | 86.6 |
| | | | **84.4** | | 89.6 |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 12 | **114.3** | | 122.6 | |
| Cash at bank and in hand | 13 | **6.8** | | 7.3 | |
| | | **121.1** | | 129.9 | |
| **Creditors:** amounts falling due within one year | 14 | **(84.8)** | | (90.4) | |
| **Net current assets** | | | **36.3** | | 39.5 |
| **Total assets less current liabilities** | | | **120.7** | | 129.1 |
| **Provisions for liabilities and charges** | 16 | | **(0.1)** | | (0.1) |
| **Net assets excluding pension liabilities** | | | **120.6** | | 129.0 |
| Pension liabilities | 22 | | **(4.6)** | | (18.2) |
| **Net assets including pension liabilities** | | | **116.0** | | 110.8 |
| **Financed by:** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 17 | | **40.0** | | 40.0 |
| Revaluation reserve | 19 | | **62.1** | | 66.8 |
| Profit and loss account | 19 | | **13.9** | | 4.0 |
| **Equity shareholder's funds** | 19 | | **116.0** | | 110.8 |

The financial statements were approved by the Board of Directors on 28 March 2014 and signed on its behalf by:

**Graham Cash**
Director and Chief Executive

# Notes to the accounts

## 1. Accounting policies

### Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of investments in subsidiary undertakings. The accounts are prepared in accordance with applicable UK accounting standards and comply with the Companies Act 2006.

As the company is a wholly owned subsidiary of Royal BAM Group n.v., a company incorporated in The Netherlands which publishes consolidated accounts, the company has taken advantage of the exemption provided under FRS 1 (Revised) not to include a cash flow statement.

### Consideration of going concern

The directors have reviewed the matter of preparing the financial statements under the going concern basis. They have considered:

- the level and quality of existing orders held by BAM Construction;
- the value of orders for the FM business;
- the carrying value of property development stock;
- the liquidity balances within the business;
- the principal risks and uncertainties outlined in the Directors' report; and
- the future forecasts for the various businesses sectors in which the group operates.

After considering the above points, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

### Basis of consolidation

The group accounts consolidate the accounts of BAM Construct UK Limited and all its subsidiaries drawn up to 31 December. No profit and loss account is presented for BAM Construct UK Limited as permitted by section 408 of the Companies Act 2006. The company's profit for the year is disclosed in note 19.

Sutton Group Limited has been included in the group financial statements using the acquisition method of accounting. Accordingly, the Group profit and loss account includes the results of Sutton Group Limited for the eleven and half month period from its acquisition on 14 January 2013. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition. Further details on the acquisition can be found in note 10.

Entities, other than subsidiaries or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method.

Entities in which the group holds an interest on a long-term basis and which are jointly controlled by the group and one or more other ventures under a contractual agreement are treated as joint ventures. In the group accounts, joint ventures are accounted for using the gross equity method.

Entities are accounted for in the group as follows: subsidiaries are fully consolidated from the date that control is obtained by the group. They are deconsolidated from the date that control is transferred. Associates are equity accounted for from the date that the group obtains significant influence until that significant influence is transferred.

# Notes to the accounts

## 1. Accounting policies (continued)

### Investment in subsidiaries and associates

In the parent company accounts, interests in subsidiaries and associates are included in the parent company balance sheet at the group's share of net assets of these undertakings. The surplus or deficit on the annual revaluation is transferred to the revaluation reserve, unless a deficit below original cost, or its reversal, on an individual investment is expected to be permanent, in which case it is recognised in the company's profit and loss account for the year.

### Intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition.

Intangible assets are amortised on a straight line basis over their estimated useful lives of 4 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

### Tangible fixed assets

All tangible fixed assets, are initially recorded at cost. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | |
|---|---|
| Freehold property | over 50 years |
| Short leasehold property | over the period until the next break clause |
| Plant, machinery and vehicles | over 1 to 10 years |
| Fixtures and office equipment | over 3 to 10 years |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

### Long term contracts

Contract work in progress is valued at total cost incurred plus attributable profits less foreseeable losses and applicable payments on account. The resultant balance is included under debtors as 'amounts recoverable on contracts', under creditors as 'payments on account', or under creditors as 'accruals for foreseeable losses'. Total cost includes direct cost and allocated production overhead. Profit on long term contracts is taken as the work is carried out once the final outcome of the project can be assessed with reasonable certainty. Provision is made for losses on contracts in the year in which they are foreseen.

### Land and property developments

Land and property developments are recorded at the lower of cost and net realisable value. The group capitalises interest on finance raised to facilitate the development of specific projects once development commences and until practical completion, based on the total actual finance cost incurred on the borrowings during the period. When properties are acquired for future redevelopment, interest on borrowings is expensed to the profit and loss account until redevelopment commences.

# Notes to the accounts

## 1. Accounting policies (continued)

### Stocks

Stocks are valued at the lower of cost and net realisable value.

### Carrying amount of debt and allocation of loan issue costs

Debt instruments, such as bank loans, are stated at their net proceeds (i.e. after deduction of loan issue costs) on issue. Issue costs are amortised to the profit and loss account over the life of the instrument and are either included in interest payable or, where applicable, are capitalised into the cost of property development in accordance with the land and property developments accounting policy set out above.

### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

(i) provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets (including investments in subsidiaries, joint ventures and associates), and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

(ii) deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

### Turnover and profit recognition

The origin and destination of the group's turnover is wholly within the United Kingdom.

Turnover and profit are recognised as follows:

a) Construction contracts

Turnover, which is stated net of VAT, represents the value of work done in the year including estimates of amounts not invoiced and adjustments relating to prior years which have been agreed during the year.

Profit on construction contracts is recognised by reference to the stage of completion once the final outcome can be assessed with reasonable certainty. Full provision is made for all known or expected losses on individual contracts once such losses are foreseen.

# Notes to the accounts

## 1. Accounting policies (continued)

b) Development of commercial properties

Sales of property developments are recognised in respect of contracts exchanged during the year, provided that no material conditions remain outstanding at the balance sheet date, and all conditions are fully satisfied by the date on which the accounts are signed. Rental income from incidental operations in connection with development properties is credited to other operating income on an accruals basis. In accordance with UITF 28 'Operating lease incentives', the cost of lease incentives is allocated on a straight line basis over the lease term or a shorter period ending on the date from which it is expected the prevailing market rental will be payable.

Full provision is made for all known or expected losses on completing a development once such losses are foreseen. The profit on disposal of property developments is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period and any residual commitments.

c) Facilities management

Turnover, which is stated net of VAT, represents the value of work done in the year including estimates of amounts not invoiced for the provision of facilities management services.

Turnover and profit on long-term facilities management service contracts is taken as the work is carried out, once the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover in respect of these facilities management contracts is calculated as an annual proportion of the total contract value. Revenue derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for all known or expected losses on individual contracts in the year in which they are first foreseen.

### Finance income

Finance income consists of interest receivable on deposits and inter-company balances and is recognised as interest accrues.

### Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. Where the effect of the time value of money is material, the amount of a provision is discounted so as to represent the present value of the expenditure required to settle the obligation.

# Notes to the accounts

## 1. Accounting policies (continued)

### Pensions

The group operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds and both of which are now closed to new members. With effect from 31 October 2010 future accrual ceased for existing members, where the link to final salary remains only for calculating benefits.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, and is based on actuarial advice.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The group also participates in eight defined benefit schemes under 'TUPE' arrangements. These schemes are multi-employer schemes, where the group has 'Admitted Body' status as a participating employer. As such the group is unable to identify its share of the assets and liabilities in these schemes on a reasonable and consistent basis. The group has therefore accounted for these schemes as defined contribution schemes in accordance with treatment permitted by FRS 17 'Retirement Benefits'.

From 23 August 2004 the group opened a defined contribution scheme for new members of staff. Contributions to this scheme are charged to the profit and loss account when payable.

The group has applied the Amendment to FRS 17 'Retirement Benefits' in these accounts. The group has applied UITF48 'Accounting implications of the replacement of the retail prices index with the consumer prices index for the retirement benefits' in these accounts.

Details of the pension schemes are disclosed in note 22.

### Leases

Payments under operating leases are charged wholly to the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the period ending on a date from which it is expected that the prevailing market rental will be payable.

Revenue arising from the leasing of assets under operating leases is recognised in the profit and loss account on a straight-line basis over the lease term.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

# Notes to the accounts

## 2. Operating profit

| | | 2013 £m | 2012 £m |
|---|---|---|---|
| This is stated after charging / (crediting): | | | |
| Depreciation of owned assets | | **2.4** | 2.6 |
| Operating lease rentals | – land and buildings | **2.8** | 2.6 |
| | – plant and vehicles | **0.7** | 0.7 |
| Auditor's remuneration | – audit | **0.4** | 0.4 |
| Incidental rental income from development properties | | **(0.8)** | (0.8) |

| | 2013 £000s | 2012 £000s |
|---|---|---|
| Fees payable to the company's auditor for the audit of the company's accounts | **78.5** | 73.5 |
| Fees payable to the company's auditor for other reasons: | | |
| The audit of the company's subsidiaries pursuant to legislation | **278.5** | 240.5 |
| Audit-related assurance services | **84.0** | 84.0 |
| **Total** | **441.0** | 398.0 |

Fees payable to Ernst & Young LLP for non-audit services to the company itself are not disclosed in the individual accounts of BAM Construct UK Limited because the company's consolidated accounts are required to disclose such fees on a consolidated basis.

## 3. Profit on disposal of tangible fixed assets

| | 2013 £m | 2012 £m |
|---|---|---|
| Proceeds from sale of tangible fixed assets | **0.2** | 1.1 |
| Less: net book value | **(0.1)** | (0.6) |
| Profit on disposal of tangible fixed assets | **0.1** | 0.5 |

## 4. Directors' emoluments

| | 2013 £000s | 2012 £000s |
|---|---|---|
| Aggregate emoluments of the 3 directors (2012: 3 directors) excluding pension contributions | **783** | 831 |
| Group contributions to defined contribution schemes | **34** | 32 |

| | 2013 No. | 2012 No. |
|---|---|---|
| Members of defined benefit schemes | **2** | 2 |

| | 2013 No. | 2012 No. |
|---|---|---|
| Members of defined contribution schemes | **3** | 3 |

# Notes to the accounts

## 4. Directors' emoluments (continued)

| | 2013 £000s | 2012 £000s |
|---|---|---|
| The amounts in respect of the highest paid director were as follows: | | |
| Emoluments | **319** | 339 |
| | **319** | 339 |
| Accumulated total accrued pension per annum | **112** | 107 |

## 5. Staff costs

| | 2013 £m | 2012 £m |
|---|---|---|
| (a) The aggregate payroll costs, including directors' emoluments, were as follows: | | |
| Wages and salaries | **92.6** | 91.5 |
| Social security costs | **10.0** | 9.6 |
| Other pension costs | **8.8** | 8.7 |
| | **111.4** | 109.8 |

Included in other pension costs are £nil (2012: £nil) in respect of the defined benefit schemes and £8.8m (2012: £8.7m) in respect of the defined contribution schemes.

| | 2013 No. | 2012 No. |
|---|---|---|
| (b) The average number of persons employed by the group during the year including directors, was as follows: | | |
| Staff | **1,502** | 1,442 |
| Operatives | **731** | 686 |
| | **2,233** | 2,128 |

The 2012 operatives number has been restated to 686 from 911. The revised calculation factors in the part-time working hours rather than using the gross staff numbers.

## 6. Net interest

| | 2013 £m | 2012 £m |
|---|---|---|
| **Interest payable and similar charges:** | | |
| Bank interest | **2.0** | 2.3 |
| Amortisation of loan issue costs | **0.2** | 0.2 |
| | **2.2** | 2.5 |
| Interest capitalised | **(0.2)** | (0.1) |
| Capitalisation of loan issue costs amortised | **(0.1)** | – |
| Interest payable | **1.9** | 2.4 |

# Notes to the accounts

## 6. Net interest (continued)

| | 2013 £m | 2012 £m |
|---|---|---|
| **Interest receivable and other income:** | | |
| Bank interest | **0.7** | 1.2 |
| Interest from ultimate parent company | **0.9** | 1.2 |
| Net return on financing of pension deficit | **2.0** | 0.4 |
| Interest receivable | **3.6** | 2.8 |
| **Net interest** | **2.0** | 0.4 |

The cumulative amount of interest capitalised in land and property developments at the balance sheet date is £4.6m (2012: £4.5m).

## 7. Taxation

| | 2013 £m | 2012 £m |
|---|---|---|
| (a) Tax on profit on ordinary activities | | |
| UK corporation tax | **(1.3)** | 2.5 |
| Adjustment in respect of earlier years | **(0.3)** | 1.6 |
| Total current tax (credit)/charge | **(1.6)** | 4.1 |
| Origination and reversal of timing differences | **3.4** | 1.0 |
| Adjustment in respect of prior years | **–** | (1.1) |
| Effect of decreased tax rate on opening liability | **1.0** | 0.8 |
| Total deferred tax charge | **4.4** | 0.7 |
| **Total tax charge for the year** | **2.8** | 4.8 |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2012: higher) than that calculated at the average rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are reconciled below:

| | 2013 £m | 2012 £m |
|---|---|---|
| Profit on ordinary activities before tax | **10.9** | 13.9 |
| Profit on ordinary activities multiplied by the rate of corporation tax in UK of 23.25% (2012: 24.5%) | **2.5** | 3.4 |
| Disallowed expenses | **0.2** | 0.1 |
| Decelerated capital allowances | **0.1** | 0.1 |
| Adjustments in respect of earlier years | **(0.3)** | 1.6 |
| Pension cost relief in excess of pension cost charge | **(3.9)** | (0.7) |
| Other timing differences | **(0.2)** | (0.4) |
| | **(1.6)** | 4.1 |

## 7. Taxation (continued)

(c) Factors that may affect future tax charges

Deferred tax assets in respect of pension timing differences have been recognised in the accounts on the grounds that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted, on the basis of all available evidence.

The main rate of corporation tax was reduced from 24% to 23% on 1 April 2013. The Finance Act 2013, which was substantively enacted on 2 July 2013, provides for a further reduction in the main rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015.

At the balance sheet date, the tax rate applicable for calculating deferred tax is 23% if realised before 1 April 2014, 21% if realised between 1 April 2014 and 1 April 2015, or 20% thereafter.

(d) Deferred tax

**Group**

The deferred tax included in the balance sheet is as follows:

| | **2013 £m** | 2012 £m |
|---|---|---|
| Included in debtors: amounts falling due within one year (Note 12) | **1.8** | 2.2 |
| Included in defined benefit pension liability (Note 22) | **1.3** | 5.5 |
| | **3.1** | 7.7 |
| Other short term timing differences | **0.9** | 1.3 |
| Decelerated capital allowances | **0.9** | 0.9 |
| Pension costs | **1.3** | 5.5 |
| **Deferred tax asset** | **3.1** | 7.7 |
| At 1 January including deferred tax on defined benefit pension liability | **7.7** | 8.4 |
| Deferred tax charge in profit and loss account | **(4.4)** | (0.7) |
| Amount charged to statement of total recognised gains and losses | **(0.2)** | – |
| **At 31 December including deferred tax on defined benefit pension liability** | **3.1** | 7.7 |

**Company**

The deferred tax included in the balance sheet is as follows:

| | **2013 £m** | 2012 £m |
|---|---|---|
| Included in debtors: amounts falling due within one year (Note 12) | **1.2** | 1.6 |
| Included in defined benefit pension liability (Note 22) | **1.3** | 5.5 |
| **Deferred tax asset** | **2.5** | 7.1 |

# Notes to the accounts

## 7. Taxation (continued)

| | 2013 £m | 2012 £m |
|---|---|---|
| At 1 January including deferred tax on defined benefit pension liability | **7.1** | 7.6 |
| Deferred tax charge in profit and loss account | **(4.4)** | (0.5) |
| Amount charged to statement of total recognised gains and losses | **(0.2)** | – |
| **At 31 December including deferred tax on defined benefit pension liability** | **2.5** | 7.1 |

## 8. Intangible assets

| | Other Intangible assets £m |
|---|---|
| **Group** | |
| **Cost:** | |
| At 1 January 2013 | **–** |
| Acquisitions | **1.5** |
| **At 31 December 2013** | **1.5** |
| **Amortisation:** | |
| At 1 January 2013 | **–** |
| Charge for year | **0.4** |
| **At 31 December 2013** | **0.4** |
| **Net book value:** | |
| **At 31 December 2013** | **1.1** |
| At 31 December 2012 | **–** |

# Notes to the accounts

## 9. Tangible fixed assets

| | Short leasehold property £m | Plant, machinery & vehicles £m | Fixtures & office equipment £m | **Total £m** |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost:** | | | | |
| At 1 January 2013 | 1.1 | 11.2 | 11.2 | **23.5** |
| Aquisition | – | – | 0.3 | **0.3** |
| Additions | – | 1.0 | 1.0 | **2.0** |
| Disposals | – | (0.7) | – | **(0.7)** |
| **At 31 December 2013** | 1.1 | 11.5 | 12.5 | **25.1** |
| **Depreciation:** | | | | |
| At 1 January 2013 | 0.8 | 8.9 | 8.5 | **18.2** |
| Aquisition | – | – | 0.2 | **0.2** |
| Charge for the year | – | 0.9 | 1.5 | **2.4** |
| Disposals | – | (0.6) | – | **(0.6)** |
| **At 31 December 2013** | 0.8 | 9.2 | 10.2 | **20.2** |
| **Net book value:** | | | | |
| **At 31 December 2013** | 0.3 | 2.3 | 2.3 | **4.9** |
| At 31 December 2012 | 0.3 | 2.3 | 2.7 | **5.3** |

Plant, machinery and vehicles includes plant and machinery with a net book value of £2.1m (2012: £2.1m) which are held with the group acting as lessor. These assets are depreciated evenly over their expected useful lives at rates of 8.33% to 60.00% per annum. These assets have accumulated depreciation of £7.4m (2012: £7.1m).

| | Short leasehold property £m | Fixtures & office equipment £m | **Total £m** |
|---|---|---|---|
| **Company** | | | |
| **Cost:** | | | |
| At 1 January 2013 | 1.1 | 11.2 | **12.3** |
| Additions | – | 1.0 | **1.0** |
| **At 31 December 2013** | 1.1 | 12.2 | **13.3** |
| **Depreciation:** | | | |
| At 1 January 2013 | 0.8 | 8.5 | **9.3** |
| Charge in the year | – | 1.5 | **1.5** |
| **At 31 December 2013** | 0.8 | 10.0 | **10.8** |
| **Net book value:** | | | |
| **At 31 December 2013** | 0.3 | 2.2 | **2.5** |
| At 31 December 2012 | 0.3 | 2.7 | **3.0** |

# Notes to the accounts

## 10. Investments

**Investments in subsidiary undertakings**

| **Company** | **2013** | 2012 |
|---|---|---|
| | **£m** | £m |
| At 1 January | **86.6** | 86.2 |
| Additions | **–** | – |
| Impairments | **(5.0)** | – |
| Revaluation surplus | **–** | 0.4 |
| **At 31 December** | **81.6** | 86.6 |

The group's principal subsidiaries and associated undertaking at 31 December 2013 are listed in note 25.

The company has been unable to fully substantiate the historical cost value of all the subsidiary investments.

Where a subsidiary has net liabilities, BAM Construct UK Limited has agreed to provide financial support to enable the subsidiary to meet third party liabilities as they fall due for a period until at least one year from the date of approval of the subsidiary's accounts.

On 14 January 2013, a subsidiary undertaking, BAM FM Limited, acquired facilities management services provider Sutton Group Limited and its wholly owned subsidiary Sutton Maintenance Limited for a cash consideration of £4.1m.

The investment in Sutton Group Limited has been included in the company's balance sheet as its fair value at the date of acquisition.

Analysis of the acquisition of Sutton Group Limited and its subsidiary Sutton Maintenance Limited:

**Net assets at date of acquisition:**

| | Book value £'000 | Revaluation adjustments £'000 | Fair value to group £'000 |
|---|---|---|---|
| Tangible assets | 73 | – | 73 |
| Work in progress | 198 | – | 198 |
| Debtors (see note a) | 2,866 | – | 2,866 |
| Cash | 1,864 | – | 1,864 |
| Creditors due within one year | (2,457) | – | (2,457) |
| Deferred taxation | (10) | – | (10) |
| **Net assets** | **2,534** | **–** | **2,534** |
| | | | |
| Intangible asset | | | 1,526 |
| **Fair value of net assets acquired** | | | **4,060** |
| **Discharged by cash** | | | **4,060** |

Note a: Debtors include £528,000 due on the disposal of Sutton Services International Limited, a subsidiary of Sutton Group Limited.

# Notes to the accounts

## 11. Land and property developments

| | 2013 £m | 2012 £m |
|---|---|---|
| At 1 January | **111.8** | 143.7 |
| Construction costs incurred | **4.9** | 9.6 |
| Interest capitalised | **0.3** | 0.1 |
| Disposals (recognised in cost of sales) | **(10.2)** | (40.7) |
| Impairment | **(5.3)** | (0.9) |
| **At 31 December** | **101.5** | 111.8 |

## 12. Debtors

| | Group 2013 £m | Company 2013 £m | Group 2012 £m | Company 2012 £m |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Amounts recoverable on contracts | **4.3** | **–** | 8.5 | – |
| Trade debtors | **86.1** | **–** | 77.5 | – |
| Amounts due from parent and fellow subsidiary undertakings | **98.0** | **96.7** | 117.1 | 108.4 |
| Amounts due from subsidiary undertakings | **–** | **11.2** | – | 0.9 |
| Other debtors | **1.6** | **0.1** | 0.1 | 0.1 |
| Prepayments and accrued income | **59.1** | **1.6** | 43.6 | 2.3 |
| Deferred tax asset | **1.8** | **1.2** | 2.2 | 1.6 |
| Corporation tax | **1.3** | **3.5** | – | 3.3 |
| VAT | **–** | **–** | 6.0 | 6.0 |
| | **252.2** | **114.3** | 255.0 | 122.6 |
| **Amounts falling due after more than one year** | | | | |
| Trade debtors | **8.5** | **–** | 9.8 | – |
| | **8.5** | **–** | 9.8 | – |

Amounts due from parent and fellow subsidiary undertakings includes £91.9m on deposit with Royal BAM Group (2012: £103.6m) which is repayable on demand.

# Notes to the accounts

## 13. Cash at bank and in hand

The total group cash at bank and in hand of £62.8m (2012: £87.1m) includes £2.7m (2012: £2.6m) which is not available for utilisation without prior agreement of third parties. In addition, £nil (2012: £4.5m) of a subsidiary company's cash balance is held as security for the Solihull property development loan.

## 14. Creditors

| | **Group 2013 £m** | **Company 2013 £m** | Group 2012 £m | Company 2012 £m |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Non-recourse bank loans (note 15) | **7.9** | **–** | 32.9 | – |
| Payments on account | **22.5** | **–** | 28.9 | – |
| Accrual for foreseeable losses | **5.2** | **–** | 20.4 | – |
| Trade creditors | **60.6** | **–** | 55.7 | – |
| Amounts due to parent and fellow subsidiary undertakings | **–** | **–** | 0.1 | – |
| Amounts due to subsidiary undertakings | **–** | **75.3** | – | 80.3 |
| Other taxation and social security | **6.5** | **5.2** | 4.0 | 3.8 |
| Other creditors | **2.0** | **0.2** | 2.5 | 0.2 |
| Accruals and deferred income | **177.7** | **4.1** | 172.4 | 6.1 |
| | **(282.4)** | **84.8** | 316.9 | 90.4 |
| **Amounts falling due after more than one year** | | | | |
| Non-recourse bank loans (note 15) | **21.5** | **–** | 16.0 | – |
| Trade creditors | **6.5** | **–** | 7.1 | – |
| | **28.0** | **–** | 23.1 | – |

# Notes to the accounts

## 15. Non-recourse bank loans

The group has non-recourse loans which are secured on property developments and are reported within creditors. In respect of non-recourse loans, group undertakings are not obliged, nor do they intend, to support any losses. The terms of the finance agreements provide that the lenders will seek repayment of the finance only to the extent that sufficient funds are generated by the specific property assets financed and they will not seek recourse to group undertakings in any other form.

| **Group** | **2013** | 2012 |
|---|---|---|
| | **£m** | £m |
| Amounts falling due within 1 year | | |
| Bank loan | **7.9** | 33.0 |
| Less: unamortised issue costs | **–** | (0.1) |
| | **7.9** | 32.9 |

As at 31 December 2013, the loan repayable in 2014, which was advanced by the Bank of Scotland, was raised for and secured against a property development in High Wycombe.

As at 31 December 2012, the loans repayable in 2013, which were advanced by the Bank of Scotland and the Clydesdale Bank were raised for and secured against property developments in Edinburgh, Manchester and Solihull. In addition £4.5m of a subsidiary company's cash balance is held as security for the Solihull property development loan.

| **Amounts falling due after more than one year** | | |
|---|---|---|
| Bank loan | **21.7** | 16.2 |
| Less: unamortised issue costs | **(0.2)** | (0.2) |
| | **21.5** | 16.0 |
| Bank loans repayable between 1 & 2 years | **–** | 12.9 |
| Bank loans repayable between 2 & 5 years | **21.5** | 3.1 |
| | **21.5** | 16.0 |

As at 31 December 2013, the loans which are repayable between 2 and 5 years were advanced by the Bank of Scotland and Amber SPRUCE LLP, and were raised for and secured against property developments in Manchester, Solihull and Glasgow.

As at 31 December 2012, the loan which is repayable between 1 and 2 years, was advanced by the Bank of Scotland, and was raised for and secured against a property development in High Wycombe.

As at 31 December 2012, the loan which is repayable between 2 and 5 years, was advanced by Amber SPRUCE LLP, and was raised for and secured against a property development in Glasgow.

**Company**

As at 31 December 2013, no loans were advanced in respect of assets held by the company (2012: nil).

# Notes to the accounts

## 16. Provisions for liabilities and charges

| | Deferred taxation £m | Other liabilities £m | **2013 Total £m** | 2012 Total £m |
|---|---|---|---|---|
| **Group** | | | | |
| At 1 January | – | 0.1 | **0.1** | 0.6 |
| Created during the year | – | 0.2 | **0.2** | – |
| Utilised during the year | – | – | **–** | (0.2) |
| Released during the year | – | (0.2) | **(0.2)** | (0.3) |
| **At 31 December** | – | 0.1 | **0.1** | 0.1 |

Other liabilities comprise obligations in respect of the insolvency of one of the group's insurers and claims for lease dilapidations. There are no unprovided deferred taxation liabilities.

The timings of the transfer of benefits for the obligations arising from the insurance insolvency are uncertain.

| | **2013 Other liabilities £m** | 2012 Other liabilities £m |
|---|---|---|
| **Company** | | |
| At 1 January | **0.1** | 0.6 |
| Created during the year | **0.2** | – |
| Utilised during the year | **–** | (0.2) |
| Released during the year | **(0.2)** | (0.3) |
| **At 31 December** | **0.1** | 0.1 |

This liability comprises obligations in respect of the insolvency of one of the company's insurers and claims for lease dilapidations.

The timings of the transfer of benefits for the obligations arising from the insurance insolvency are uncertain.

No provision for deferred tax has been made in respect of the revaluation of the company's investment in subsidiary undertakings as there is no binding agreement to dispose of these assets.

# Notes to the accounts

## 17. Called up share capital

| | 2013 £m | 2012 £m |
|---|---|---|
| Authorised, allotted, called up and fully paid: | | |
| 40,000,000 ordinary shares of £1 each | **40.0** | 40.0 |

## 18. Dividends

| | 2013 £m | 2012 £m |
|---|---|---|
| Dividends on ordinary shares | | |
| Final declared and paid of £0.10 per share (2012: £0.11 per share) | **4.0** | 4.5 |

## 19. Reconciliation of shareholder's funds and movements on reserves

| **Group** | Share capital £m | Profit & loss account £m | **Total £m** |
|---|---|---|---|
| Shareholder's funds at 1 January 2012 | 40.0 | 74.0 | **114.0** |
| Profit attributable to shareholder | – | 9.1 | **9.1** |
| FRS 17 Actuarial loss net of related current and deferred tax | – | (7.8) | **(7.8)** |
| Dividend declared and paid | – | (4.5) | **(4.5)** |
| Shareholder's funds at 31 December 2012 | 40.0 | 70.8 | **110.8** |
| Profit attributable to shareholder | – | 8.1 | **8.1** |
| FRS 17 Actuarial gain net of related current and deferred tax | – | 1.1 | **1.1** |
| Dividend declared and paid | – | (4.0) | **(4.0)** |
| Shareholder's funds at 31 December 2013 | 40.0 | 76.0 | **116.0** |

| **Company** | Share capital £m | Revaluation of shares in subsidiary undertakings £m | Profit & loss account £m | **Total £m** |
|---|---|---|---|---|
| Shareholder's funds at 1 January 2012 | 40.0 | 66.4 | 7.6 | **114.0** |
| Profit attributable to shareholder | – | – | 8.7 | **8.7** |
| Gain on revaluation of subsidiary undertakings | – | 0.4 | – | **0.4** |
| FRS 17 Actuarial loss net of related current and deferred tax | – | – | (7.8) | **(7.8)** |
| Dividend declared and paid | – | – | (4.5) | **(4.5)** |
| Shareholder's funds at 31 December 2012 | 40.0 | 66.8 | 4.0 | **110.8** |
| Profit attributable to shareholder | – | – | 12.8 | **12.8** |
| Loss on revaluation of subsidiary undertakings | – | (4.7) | – | **(4.7)** |
| FRS 17 Actuarial gain net of related current and deferred tax | – | – | 1.1 | **1.1** |
| Dividend declared and paid | – | – | (4.0) | **(4.0)** |
| Shareholder's funds at 31 December 2013 | 40.0 | 62.1 | 13.9 | **116.0** |

The profit attributable to the shareholder of the parent company is £12.8m (2012: profit of £8.7m).

# Notes to the accounts

## 20. Obligations under non-cancellable operating leases

At 31 December 2013, the group had annual commitments under non-cancellable operating leases comprising:

| | **2013 £m** | 2012 £m |
|---|---|---|
| **Land and buildings** | | |
| Leases terminating: | | |
| Within one year | **–** | 0.1 |
| In two to five years | **0.7** | 0.7 |
| In over five years | **1.8** | 1.7 |
| | **2.5** | 2.5 |

| | **2013 £m** | 2012 £m |
|---|---|---|
| **Other** | | |
| Leases terminating: | | |
| Within one year | **0.1** | – |
| In two to five years | **0.6** | 0.5 |
| | **0.7** | 0.5 |

At 31 December 2013, the company had annual commitments under non-cancellable operating leases comprising:

| | **2013 £m** | 2012 £m |
|---|---|---|
| **Land and buildings** | | |
| Leases terminating: | | |
| Within one year | **–** | – |
| In two to five years | **0.3** | 0.4 |
| In over five years | **1.8** | 1.6 |
| | **2.1** | 2.0 |

# Notes to the accounts

## 21. Contingent liabilities

(a) There are contingent liabilities in respect of performance bonds and supplier guarantees given in the normal course of business. The directors do not consider that these will have any significant impact on the results of the business.

(b) The group is party to various litigation arising in the ordinary course of business. Provision has been made within the accounts where necessary. The directors are of the view that other claims will have no significant impact on the results of the group.

(c) The company, along with other group companies, provided a guarantee against a subordinated term loan and a committed revolving credit facility to its ultimate parent undertaking, Royal BAM Group n.v.

The principal sum of the subordinated loan amounts to €125 million (2012: €125 million) with a duration to 30 July 2017. The amount of the subordinated term loan outstanding at the year end was €125 million (2012: €125 million).

In 2012, the level of the committed revolving credit facility was increased from €475 million to €500 million and it term was extended to 30 January 2016. On 21 January 2013, the option was exercised to extend the committed revolving credit facility by an additional year to 30 January 2017. The level of the credit facility will be €442.5 million from 30 January 2016. The amount of the committed revolving credit facility utilised at the year end was €40 million (2012: €nil).

The directors are satisfied that Royal BAM Group n.v. is currently able to fulfil all its obligations under these agreements without recourse to any of the Guarantors.

(d) The company has agreed to provide financial support to ensure the continuing operation of certain subsidiaries, which is not expected to give rise to any material loss that has not already been provided for in the accounts.

(e) The company, along with other group companies, is party to a guarantee in respect of any individual company overdraft balance within the cash pooling facility with NatWest Bank PLC. At 31 December 2013 there was an overdraft balance in BAM Group (UK) Limited, the company's immediate parent undertaking, which is one of the companies in the cash pooling facility, of £67.7 million (2012: £68.9 million). The net overdraft position in the cash pooling facility as at 31 December 2013 was £nil (2012: £nil). This guarantee is not expected to give rise to any loss.

(f) The company, along with other group companies, is party to a guarantee in respect of any individual company overdraft balance within the cash pooling facility with the Bank of Scotland. At 31 December 2013 there were overdraft balances in a number of group companies in the cash pooling facility amounting to £48.3 million (2012: £47.2 million). The net overdraft position in the cash pooling facility as at 31 December 2013 was £nil (2012: £nil). This guarantee is not expected to give rise to any loss.

# Notes to the accounts

## 22. Pension commitments

The two main pension schemes operated by the group ('HBG UK scheme' and 'HBG GA scheme'), both of which are closed to new members, are funded final salary schemes providing defined benefits. The assets of the schemes are held separately in trustee administered funds. The contributions are determined by qualified actuaries on the basis of triennial valuations. The date for the most recent actuarial valuation for both schemes is at 1 January 2012, and the formal actuarial reports were submitted to the Pension Regulator in March 2013. Both the HBG UK scheme and the HBG GA scheme were valued using the projected unit method.

From 23 August 2004, the HBG UK and GA schemes were closed to new members. From that date the company opened a Legal & General defined contribution pension scheme for new members of staff. Both schemes closed to future accrual for existing members on 31 October 2010 where only a link to final salary remains. Members were invited to participate in the Legal & General defined contribution pension scheme from that date.

The group also participates in eight defined benefit schemes under 'TUPE' arrangements all being either within the Local Government Pension Scheme ('LGPS') or the Federated Pension Plan Scheme ('FPP') collectively referred to as 'TUPE schemes':

- Lothian Scheme (LGPS)
- Cheshire Scheme (LGPS)
- Bath & North East Somerset Council (Bristol Schools) Scheme (LGPS)
- West Sussex County Council (Crawley Schools) Scheme (LGPS)
- The Strathclyde Pension Fund Scheme (LGPS)
- Federated Pension Plan (FPP) for East Ayrshire Community Hospital
- Worcestershire County Council Pension Fund (Bromsgrove Schools) Scheme (LGPS)
- Solihull Schools Scheme (LGPS)

These schemes are multi-employer schemes, where the group has 'Admitted Body' status as a participating employer, with minority participation. For most of the schemes, the information available from the respective scheme activities relates to the overall scheme valuations rather than for the group's participation as an Admitted Body. As such, with the exception of the Federated Pension Plan and the Lothian Scheme, the group is unable to identify its share of the assets and liabilities in these schemes on a reasonable and consistent basis. The group has therefore accounted for these schemes as defined contribution schemes in accordance with the treatment permitted by FRS 17. The dates of the latest triennial valuations of these schemes completed and available and the total scheme valuations reported at the valuation dates are:

## 22. Pension commitments (continued)

| | Date | Total deficit |
|---|---|---|
| **Overall scheme valuations** | | |
| Cheshire Scheme | 31 March 2010 | £(600)m |
| Bath & North East Somerset Council (Bristol Schools) Scheme | 31 March 2010 | £(552)m |
| West Sussex County Council (Crawley Schools) Scheme | 31 March 2010 | £(288)m |
| The Strathclyde Pension Fund (East Renfrewshire Schools) Scheme | 31 March 2011 | £(320)m |
| Worcestershire County Council Pension Fund (Bromsgrove Schools) Scheme | 31 March 2010 | £(613)m |
| Solihull Schools Scheme | 31 March 2010 | £(2,614)m |
| **Groups participation value as an admitted body** | | |
| Lothian Scheme | 31 March 2011 | £0.0m |
| Federated Pension Plan for East Ayrshire Community Hospital | 5 April 2010 | £(0.2)m |

With the exception of the Federated Pension Plan and the Lothian Scheme, these valuations are for the total of each scheme. The deficits reported for the Federated Pension Plan and the Lothian Scheme are the group's share relating to its participating employees. The number of participating group employees is small within each scheme and as such the group considers the potential impact on the group of the deficits in the schemes to be minimal.

Up to the point of closure to future accrual the group contributed at various rates of pensionable salaries. These rates were reviewed and were amended with effect from 1 June 2010 following the conclusion of the triennial valuation carried out as at 1 January 2009.

In addition, and following the conclusion of the actuarial calculations, the company made a special contribution of £13,880,000 in 2013 (2012: £12,000,000). The company has also agreed to make further special contributions of £13,880,000 in each of 2014 and 2015; and payments of £4,950,000 in each of 2016, 2017, 2018, 2019, 2020 and 2021.

The pension contributions made by the company during the year and the amounts outstanding at 31 December were:

| | | Contributions in the year | | Amounts outstanding | |
|---|---|---|---|---|---|
| | | **2013 £m** | 2012 £m | **2013 £m** | 2012 £m |
| HBG UK / HBG GA Schemes | – ordinary contribution | **0.6** | 0.6 | **–** | – |
| | – special contribution | **13.9** | 12.0 | **–** | – |
| | – total | **14.5** | 12.6 | **–** | – |

During the year, the company made contributions of £8,638,000 (2012: £8,588,000) to the Legal & General defined contribution scheme, contributions of £191,000 (2012: £129,000) to the TUPE schemes and £50,000 (2012: £nil) to the People's Pension. The amounts outstanding at the year end were £761,000 (2012: £724,000).

The company's best estimate of contributions including special contributions expected to be paid to the HBG UK and GA pension schemes in 2014 is £14,490,000. (2013: £14,450,000).

The valuation used for the following disclosures has been based upon the most recent triennial actuarial valuations and updated to take account of the requirements of FRS17 in order to assess the liabilities of the two schemes at 31 December 2013. The assessment of the liabilities at 31 December 2013 were based upon the latest triennial valuations available at that time which were those carried out at 1 January 2012, updated to take account of the requirements of FRS17.

# Notes to the accounts

## 22. Pension commitments (continued)

| HBG UK / GA schemes | 2013 | 2012 |
|---|---|---|
| The principal assumptions used by the actuaries were: | | |
| Discount rate | **4.60%** | 4.30% |
| Future salary increases | **3.70%** | 3.40% |
| Future pension increases | **3.40%** | 2.90% |
| Inflation assumption | **3.50%** | 3.00% |
| Revaluation in deferment | **2.50%** | 2.20% |

| | | 2013 Years | 2013 Years | 2012 Years | 2012 Years |
|---|---|---|---|---|---|
| Assumed life expectancies on retirement at age 65 are: | | **HBG UK** | **HBG GA** | HBG UK | HBG GA |
| Retiring today | Males | **22.8** | **24.0** | 22.2 | 23.5 |
| | Females | **24.3** | **25.2** | 24.1 | 24.8 |
| Retiring in 20 years time | Males | **24.2** | **26.3** | 24.2 | 25.4 |
| | Females | **25.8** | **27.7** | 25.8 | 26.4 |

The change in the fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the change in the present value of the benefit obligations, which are derived from cash flow projections over long periods and thus inherently uncertain, are as follows:

| HBG UK / GA schemes | 2013 £m | 2012 £m |
|---|---|---|
| **Change in benefit obligation** | | |
| **Present value of benefit obligation at beginning of year** | **335.0** | 320.0 |
| Current service cost | **–** | – |
| Interest cost | **14.2** | 14.8 |
| Plan participants' contributions | **–** | – |
| Actuarial loss | **1.4** | 10.7 |
| Benefits paid | **(11.3)** | (10.5) |
| **Present value of benefit obligation at end of year** | **339.3** | 335.0 |
| **Change in plan assets** | | |
| **Fair value of plan assets at beginning of year** | **313.7** | 293.6 |
| Expected return on plan assets | **16.5** | 15.2 |
| Actuarial gain on plan assets | **6.3** | 2.8 |
| Employer contributions | **14.5** | 12.6 |
| Benefits paid | **(11.3)** | (10.5) |
| **Fair value of plan assets at end of year** | **339.7** | 313.7 |
| **Surplus/(deficit) as at 31 December** | **0.4** | (21.3) |
| Underlying surplus in the HBG GA scheme | **6.3** | 2.4 |

# Notes to the accounts

## 22. Pension commitments (continued)

As BAM Construct UK Limited is unable to recover a surplus either through reduced contributions in the future or through refunds from the scheme, the HBG GA pension asset is not recognised.

| **Unrecognised portion of plan assets** | **2013** | 2012 |
|---|---|---|
| | **£m** | £m |
| Opening balance | **2.4** | – |
| Current year movement | **3.9** | 2.4 |
| Closing balance | **6.3** | 2.4 |

The amounts recognised in the balance sheet are as follows:

| **HBG UK / GA schemes** | | |
|---|---|---|
| Present value of benefit obligation | **(339.3)** | (335.0) |
| Fair value of plan assets | **339.7** | 313.7 |
| Gross surplus/(deficit) | **0.4** | (21.3) |
| Unrecognised portion of plan assets | **(6.3)** | (2.4) |
| | **(5.9)** | (23.7) |
| Deferred tax asset | **1.3** | 5.5 |
| **Net liability in the balance sheet** | **(4.6)** | (18.2) |

The amounts recognised in the profit and loss account are as follows:

| **HBG UK / GA schemes** | **2013** | 2012 |
|---|---|---|
| | **£m** | £m |
| Current service cost | **–** | – |
| Expected return on plan assets | **(16.5)** | (15.2) |
| Interest on benefit obligations | **14.2** | 14.8 |
| Effect of restriction on expected return | **0.3** | – |
| **Total cost credited to the profit and loss account** | **(2.0)** | (0.4) |

The current service cost is included in the profit and loss account within operating and other administrative expenses. The net cost on financing of pension deficit, being the net of the expected return on plan assets and the interest on plan obligations, is included in the profit and loss account within interest payable and similar charges.

| **Actual return on plan assets** | **22.8** | 18.0 |
|---|---|---|

The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) are as follows:

| **HBG UK / GA schemes** | **2013** | 2012 |
|---|---|---|
| | **£m** | £m |
| Actuarial loss - defined benefit obligation | **(1.4)** | (10.7) |
| Actuarial gain - plan assets | **6.3** | 2.8 |
| Change in unrecognised pension scheme surplus | **(3.9)** | (2.4) |
| Effect of restriction on expected return | **0.3** | – |
| Actuarial loss - current tax credit | **–** | 2.5 |
| Actuarial loss - deferred tax charge | **(0.2)** | – |
| **Total gain/(loss) recognised** | **1.1** | (7.8) |
| The cumulative amount of actuarial losses recognised in the STRGL are: | **(107.6)** | (108.9) |

# Notes to the accounts

## 22. Pension commitments (continued)

The major categories of plan assets by value are as follows:

**HBG UK / GA schemes**

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Value £m** | **Expected rate of return** | Value £m | Expected rate of return |
| Equities | **93.2** | **7.6%** | 94.8 | 7.0% |
| Properties | **20.2** | **7.6%** | 17.6 | 7.0% |
| Index linked gilts | **21.3** | **3.9%** | 20.8 | 3.0% |
| Corporate bonds | **58.2** | **4.6%** | 54.9 | 4.3% |
| Liability hedge | **82.6** | **3.6%** | 68.4 | 3.0% |
| Dynamic asset allocation | **55.6** | **7.6%** | 50.5 | 7.0% |
| Cash | **0.4** | **0.5%-0.6%** | 0.3 | 0.5%-0.6% |
| Other | **8.2** | **6.0%** | 6.4 | 6.0% |
| **Total fair value of plan assets** | **339.7** | | 313.7 | |

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio for each scheme separately.

| | **2013** | 2012 |
|---|---|---|
| Expected overall long-term returns on plan assets | | |
| HBG UK | **5.92%** | 5.46% |
| HBG GA | **5.20%** | 4.53% |

The amounts for the current period and the previous four periods are as follows:

**HBG UK / GA schemes**

| | **2013 £m** | 2012 £m | 2011 £m | 2010 £m | 2009 £m |
|---|---|---|---|---|---|
| Present value of the benefit obligation at end of year | **(339.3)** | (335.0) | (320.0) | (287.3) | (255.0) |
| Fair value of the plan assets at end of year | **339.7** | 313.7 | 293.6 | 272.2 | 232.3 |
| **Gross surplus/(deficit)** | **0.4** | (21.3) | (26.4) | (15.1) | (22.7) |
| Experience adjustments gain/(loss) on benefit obligation | **(2.0)** | – | 6.1 | 0.7 | (4.9) |
| Experience adjustments gain on plan assets | **6.8** | 2.8 | 0.1 | 13.1 | 15.9 |

# Notes to the accounts

## 23. Related party transactions

The group has taken advantage of the exemptions of FRS 8 not to disclose details of transactions between wholly owned undertakings of Royal BAM Group n.v. which prepares consolidated financial statements.

## 24. Immediate and ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Royal BAM Group n.v., a company incorporated in The Netherlands. The group accounts of the ultimate parent (the largest and smallest group of which the company is a member and for which group accounts are prepared) are available from this company's registered office. The immediate parent undertaking is BAM Group (UK) Limited, a company incorporated in England and Wales.

## 25. Principal subsidiary undertakings and associated undertaking

Except where indicated, all companies are wholly owned, are included in the consolidated accounts, have 31 December year ends, are incorporated in Great Britain and registered in England and Wales, and operate within the United Kingdom. In order to prevent a statement of excessive length, only the principal subsidiary undertakings and associated undertaking have been included.

### Subsidiary undertakings

| | |
|---|---|
| BAM Construction Limited | Building contracting |
| BAM Design Limited † | Design services |
| BAM Properties Limited | Property development |
| HBG Parklands SPV Limited † | Property development |
| BAM Swindon Limited † | Property development |
| BAM Monk Bridge Limited † | Property development |
| BAM Buchanan Limited *† | Property development |
| HBG Haymarket 3 Limited *† | Property development |
| BAM Glory Mill Limited † | Property development |
| BAM Cadogan Limited *† | Property development |
| BAM Princes Street Limited *† | Property development |
| BAM Chiswick Limited † | Property development |
| BAM Solihull Limited † | Property development |
| BAM Queen Street Limited* † | Property development |
| BAM FM Limited * | Services |
| Sutton Group Limited † | Services |

### Joint ventures

| | |
|---|---|
| BAM Connislow Limited (50%) * † | Property development |

### Associated undertaking

| | |
|---|---|
| Discovery Quay Development Limited (33%) * † | Property development |

* registered in Scotland † owned by subsidiary companies

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Here you will find downloadable PDFs of:

- BAM Construct UK Limited Report and Accounts
- BAM Construction Limited Report and Accounts
- BAM Properties Limited Report and Accounts

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