

BAM Construct UK Limited Annual Report and Accounts 2014





B4: 2 Pancras Square
King's Cross, London

12,300m²
eight upper floors
of office space circa
1,480m² per floor

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An overview of our 2014 performance, our future direction, and a review of the businesses underpinning our strategy.

BAM in brief

BAM Construct UK operates throughout England, Scotland and Wales and engages in property development, design, services engineering, construction and facilities management services.

We have 17 offices around the country to enable us to offer an integrated service that operates close to local markets and our customers.

BAM strives to be an ethical business and to follow four core values in the way we do business:

-  **Trustworthy:**
We keep our promises and act with integrity
-  **Reliable:**
We consistently deliver quality, on time and to budget
-  **Considerate:**
We support customers, our colleagues, communities and the environment
-  **Creative:**
We always try to find a better way of doing things

We describe our mission as: **creating an enjoyable experience for our customers - and our goal is to be a distinctive construction and property services brand by being customer focussed, creative and sustainable.**

2014 at a glance

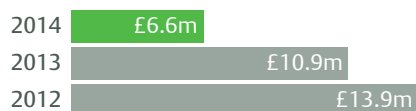
Group turnover

£886.8m



Profit before taxation

£6.6m



Order book

£1,790.2m



Cash and cash equivalents

£126.4m



Shareholder's funds at year-end

£110.5m



Working capital

£121.2m



% of sites Zero Harm

72%



Accidents

288



CO₂ emissions (tonnes)

11,716



24

Considerate
Constructor Awards

7,774

hours of nursing care
for people with cancer



£616,118

value of cash and in-kind
community support

5 Chief Executive's foreword



Our primary aims stay constant from year to year. BAM Construct UK wants to be a sustainable, ethical business that creates value for our customers, our shareholders, investors, employees and society at large.

But, as the market changes, we have to adapt the ways in which we realise these primary aims. The construction and property market is at last emerging from recession. We are entering a new, more positive cycle with improved opportunities but also new risks.

2014 was an eventful year in our industry in the UK with many major contractors changing the shape of their businesses, by retreating from parts of the market, closing offices, or divesting particular business streams and changing their senior personnel.

My board and I steered a prudent course throughout the recession, aimed at keeping the shape of our business stable, and being able to offer reliability, quality and certainty to our clients. We are located throughout England, Scotland and Wales and maintaining local relationships and knowledge of local conditions is important to us. As we continue on this path, we have to deal with the risks in a rising market where we face skills shortages, scarce supply chain capacity and product inflation.

We must invest in retaining and developing our people, undertake further investment in BIM (Building Information Modeling), and work with the industry to make good the gaps in skills and in the capacity of the supply chain.

The supply chain took a beating during the recession. Those subcontractors who have survived need to repair balance sheets and supplement skills by recruiting and training more people.

That affects their prices and consequently ours. We recognise that one of our strengths is the good relationships we have nurtured by treating our subcontractors as respected partners, with commercial fairness and by sharing our knowledge of BIM and lean thinking with them. I am confident that BAM remains a main contractor of choice for subcontractors for these reasons.

Overall, BAM Construct UK's profit margin in 2014 was 0.8% which was a reasonable result for that stage of the market. However, we need to achieve a better margin in the conditions we are now in and for the future. We aim to achieve this, not by diluting quality or service to clients, but by continuing to make the most of BIM, lean techniques and efficiency. We will seek to achieve a higher margin by seeking out more complex work with clients who understand the benefits of added value, reliability, consistency and certainty in this market and are willing to pay a realistic price for it.

It was a great pleasure to attend the launch of the Manchester City Football Academy (CFA) in December, one of our flagship projects in 2014. MCFC's Chairman Khaldoon Al Mubarak made an important point when he launched the new facilities, saying "CFA is not important for what it is - it is fundamentally important for what it will now do..." That sums up a core belief in BAM. We understand that a building is not an end in itself; it is an enabler of better outcomes, opportunities, and quality of life for the people who use it. That focus is intrinsic to our whole lifecycle approach. It is why we look every time at ways of making a building more sustainable and energy efficient, adding value, and ensuring it will fulfill its intended purpose to the optimum.

It is one of the reasons why we are developing the capacity and scope of BAM FM, our facilities management business. It now has a total facilities management capability of hard, soft and mobile FM services and it has broadened its range of customers. As well as being an efficient business and profit earner in its own right, the expertise of the facilities management team adds value to our design, property development, and construction teams. It is not just a matter of delivering a building as specified, it is about looking at it in the round, considering how it will operate in use and how it can be managed efficiently and cost effectively.

The capacity to model all of this in BIM at the earliest stage of the building's development and design makes a significant difference. During the year, we have further developed these capabilities in BIM. We are demonstrating significant efficiency savings in the way we can apply data captured through BIM to the operations and maintenance of a building.

There was a marked improvement in the quantity and quality of construction work on offer in most parts of the country as we progressed through the second half of 2014. We have a solid portfolio of current and future work spread over a good balance of public and private sector clients in education, leisure, health, transport, automated industries, and commercial and mixed development projects.

Clients are returning to two stage tendering which suits our style of working and enables us to add value. However, we still note some cautiousness and hesitancy in the market which means that projects can take a long time between gestation and starting out on site with all the risks that can bring in scheduling and maintaining the commitment of the supply chain.

Our design, services engineering and plant divisions all performed well in 2014 by making qualitative improvements and helping the Group to innovate. The fact that they are divisions of our construction business reflects the fact that their primary role is to enable us to undertake complex, multidisciplinary projects.

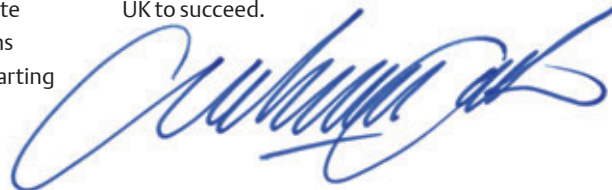
Five years ago we set ourselves a number of sustainability targets to achieve by 2015 regarding carbon emissions and waste, and we are on track to achieve them in the next year. While we strive to do less bad by mitigating the impacts of waste and resource use, and by lowering carbon emissions, we are also concentrating on doing more good. The main ways in which we achieve this are by designing sustainably, providing apprenticeship, employment and skills opportunities in partnership with clients and our supply chain, and by sourcing as locally as we can to our projects.

We have just concluded a two year charity partnership with Macmillan, where our staff fundraised £190,000 which equates to 7,774 nursing hours support for people with cancer. It was a two-way partnership because Macmillan transferred value to BAM, by educating our staff about the warning signs of the most common cancers and the importance of regular checks. Our staff have chosen the Alzheimer's Society as our charity for 2015/16 charity partnership. I hope we can learn much from the Society about how to better take account of the needs of the people with dementia when designing and constructing buildings.

One of the goals of the board is to maintain a positive culture that supports our people to live rounded, balanced lives. We want individuals and teams who understand that the ultimate purpose of our work is to improve the quality of people's lives and who are motivated by that goal alongside their pride in solving the technical and professional challenges that each project brings.

On behalf of the board I would like to thank all our employees for their hard work and loyalty to BAM and the way they treat our customers. I am proud of the consistent feedback I receive as chief executive from our clients about the quality of our staff and the quality of what BAM delivers.

I would also like to thank all our customers, new and longstanding, and our partners, consultants, subcontractors and suppliers with whom we work again and again for enabling BAM Construct UK to succeed.



Graham Cash
Chief Executive
BAM Construct UK
8 May 2015

Strategic report

The directors present their strategic report for the year ended 31 December 2014, which reports on BAM Construct UK's strategy and financial results, the progress of its operating companies and performance on sustainability. The strategic report should be read in conjunction with the Chief Executive's foreword.

BAM Construct UK Limited ('the Group') provides construction, facilities management, property development, design, services engineering and plant services in the UK through the operating companies BAM Construction, BAM Facilities Management and BAM Properties. It is the holding company for these activities in the UK of its ultimate parent undertaking Koninklijke BAM Groep nv (Royal BAM Group).

The UK-based civil engineering company BAM Nuttall is also part of Royal BAM Group. BAM PPP, a Royal BAM Group company that specialises in public private partnerships, also operates in the UK. BAM Construct UK collaborates frequently with both companies.

Results

The profit before tax for the year ended 31 December 2014 for the Group was £6.6m (2013: £10.9m). After taxation, the profit attributable to the shareholder was £5.3m (2013: £8.1m). During the year a dividend of £4.0m was declared and paid (2013 £4.0m) and pension deficit repair contributions of £13.9m were paid (2013: £13.9m).

The Group achieved a turnover of £886.8m (2013: £839.5) and operating profit of £6.3m (2013: £9.1m).

Turnover increased slightly by 5.6% during the year as improving economic conditions in the UK started to show in an increased demand for construction services in the second half of 2014,

and the market for lettings and sales of commercial office properties strengthened.

Total operating profit decreased by 29.7% during the year. Profit after tax decreased by 34.6%

Work in hand decreased by 3.4% during 2014. The board considers this as a positive indicator of the improvement in the UK economy and as a good basis for growth and improved profitability in the year ahead. The directors are mindful, however, that the unpredictability of the outcome of the general election scheduled for May 2015 and of consequent policy changes, may delay investment decisions and slow the growth in demand for construction services in the first half of 2015. However, the risk is mitigated by the fact that most construction divisions have nearly full order books for 2015.

Cash and cash equivalents

Cash and cash equivalents have reduced during the year to £126.4m. Cash generation continues to be a key objective for the business; however the economy provides a challenging environment to do so.

BAM is very proud of the way in which it treats the supply chain, particularly in relation to fair payment. In order to gain the best results, we must treat the supply chain fair and with respect. Abiding by agreed payment terms is therefore very important.

Improving cash and working capital must therefore be derived from better margins and more innovative ways of working.

Shareholder's funds have reduced slightly to £110.5m.

	2014	2013	Change
	£m	£m	%
Turnover	886.8	839.5	5.6
Profit before tax	6.6	10.9	(39.4)
Work in hand	1,790.2	1,853.0	(3.4)
Cash and cash equivalents	126.4	158.9	(20.4)
Working capital	121.2	142.7	(15.1)
Equity shareholder's funds	110.5	116.0	(4.7)
Current assets as % of current liabilities 'quick ratio'	148.3%	150.4%	(1.4)
Average number of employees	2,266	2,233	(1.5)

Future strategy

BAM Construct UK's principal priority for 2015 is to improve its profitability by operating more efficiently and managing cash effectively.

In the medium term, the Group aims to grow sustainably to an annual turnover of circa £1.5bn, which would comprise £1.0bn construction turnover, £0.3bn facilities management services and £0.2bn property development and other services.

The Group remains committed to its regional operating structure and maintaining a presence throughout England, Scotland and Wales.

Growth will be achieved by undertaking projects with clients that have complex needs and where BAM Construct UK can offer its integrated range of services to add value and improve margins. As part of this strategy, the Group has identified clients with those needs and with whom we aim to develop, or to strengthen existing, customer relationships.

The Group aims to maintain a balanced portfolio of work comprising education, health, leisure, advanced manufacturing, transport and commercial projects for both private sector and public sector clients.

BAM Construct UK will focus on remaining attractive to clients by being customer focussed, recruiting and retaining talented people, delivering quality, innovating in BIM and other emerging technologies and designing and building sustainably.

During the coming year, BAM Construct UK will contribute to the formulation of Royal BAM Group's strategic agenda for 2016 - 2020.

Further information concerning the company's future strategy can be found in the Directors' report.



BAM Construction

In 2014, BAM Construction completed 62 projects and won 57 new projects.

The range of projects we completed included: a mixed-use development in Shirley Town Centre, Solihull; an advanced blade casting facility in Rotherham for Rolls-Royce plc; the National Graphene Institute for the University of Manchester; the System Medicine Building in Edinburgh for the Institute of Genetics and Molecular Medicine; the Softbridge Building for St Anthony's College, Oxford; Phase 1 b of Morrision Hospital in Swansea; the Barclaycard Arena in Birmingham; the East Ham Civic Centre in London, and the refurbishment of the grade 2-listed German Gymnasium in King's Cross, London.

We value our participation on frameworks because of the continuity of relationships. For example, in 2014 we delivered 11 projects for the Education Funding Agency and five for the Manchester Airports Group framework. We also built schools, hospital and civic facilities through a number of local frameworks such as the regional hubs in Scotland, Yorbuild in the Yorkshire and Humber region and iESE in the South of England. Similarly, BAM Construction was pleased to be awarded a Principal Contractor Licence from Network Rail following a rigorous qualification process.

The company secured a place on the North West Hub framework, and requalified for the Construction South West Framework and won places on all the Education Funding Agency's regional frameworks when they were tendered in the summer of 2014.

We have some excellent client relationships with universities and colleges, with 44% of our turnover was in the education sector. However, we delivered complex buildings and projects in a range of sectors including industrial, retail, health, leisure and transport sectors and commercial office and mixed-use sectors.

The effects of economic recovery in the UK are at last becoming visible, particularly with more construction work being tendered by private sector organisations and developers. In the second half of 2014 there was a noticeable lift in both the quantity and quality of projects coming to the market.

In 2014 BAM Construction won many attractive projects including: refurbishment and extension of the Curtis Green building in London for the Metropolitan Police Authority; a student accommodation complex at King's Cross London; new offices at St Lawrence House London for Great Portland Estates; new offices for Hiscox in York; Materials Innovation Factory for the University of Liverpool; Clydebank Leisure Centre in Scotland; another two office buildings at King's Cross London; a mixed development of residential, retail and civic facilities for the University of Cambridge.

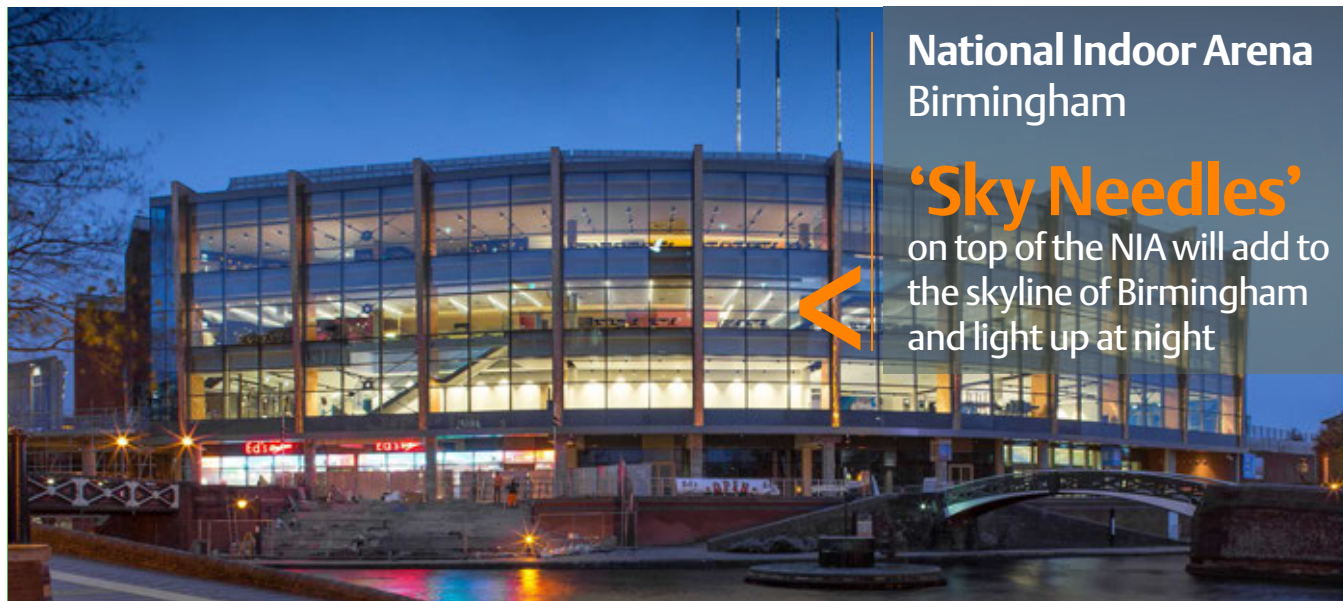
We have emerged as the preferred contractor for the V&A Museum in Dundee and hope to present a fixed price contract to Dundee City Council early in 2015 for formal ratification by a vote of the councillors.

We have already won contracts to build four academies in 2015 and intend to bid for more as they come to tender during the year.

Leigh UTC Dartford

Will accommodate up to
600
students from the
age of 14 to 19





National Indoor Arena Birmingham

‘Sky Needles’
on top of the NIA will add to
the skyline of Birmingham
and light up at night

The value of construction projects won in 2014 totalled £868.2m with an almost even split in projected revenues from the private and public sectors.

Our aim is to maintain a well balanced portfolio of projects spread across key sectors and public and private clients.

There are signs that clients recognise the change in the market and are choosing two stage tendering or a negotiated approach to procuring projects. These procurement methods better suit the way BAM works as they are more collaborative by nature, allow us to plan and de-risk projects comprehensively and to offer options for added value. However, these procurement routes are by nature more prone to delay between selection and starting on site. In 2014 there were projects that we won that were subject to delay, or withdrawn, owing to financing problems for the clients or capacity issues. Part of our challenge in 2015 will be to manage and mitigate these risks.

We continue to work on making the most of BIM technologies, lean techniques to help us to operate more efficiently, to manage risk and opportunity more carefully and to improve our core processes. They involve a more collaborative approach between all our internal disciplines, and with our partners and supply chain that leads to earlier decisions and better outcomes.

In 2014 we finished many projects well within programme, such as Heathrow UTC six weeks early, and the Barclaycard Arena in Birmingham four weeks ahead of schedule.

As ever, we are pleased to record that BAM Construction won a number of accolades during 2014; Mark Sanderson, a project manager in the North East won a silver medal at the Construction Manager of the Year Awards. 24 of our sites won awards from the

Considerate Constructors Scheme. Among the other awards won were a RIBA national award in the commercial office category for our project at One Pancras Square, King’s Cross, London; a British Construction Industry Award for sustainability for the Scottish Water Headquarters in Glasgow, and we were designated as Contractor of the Year in the North West by Constructing Excellence for our project at Kearsley Academy.

BAM Construction obtains feedback through a structured hour long face to face conversation with our customers after the completion of a project. In 2014, the average score from customers was 8.6 out of 10 (2013: 8.4).

In 2014 the aspects of our performance that customers praised most highly were in providing value for money on the project, our management of health and safety, and our management of the construction site and the surrounding neighbourhood. The issue where we achieved the least satisfaction - an average score of 7.9 was in managing the design development process. Two other areas that were below the average were the ratings for our capabilities in value engineering, new techniques and innovation at 8.2, and promptness in responding to communications which also scored an average of 8.2.

The benefit of feedback is that it flags priorities for continuous improvement and allows us to learn lessons from our past performance.

In 2015, we will be developing our customer feedback further and intend to introduce a mid project review. We will also be introducing additional questions to establish our net promoter score ie. the percentage of our customers who would recommend BAM to others.

BAM FM

BAM FM is on a path of growth with the aim of achieving £100m turnover by the end of 2017 and is on track to reach near the half way mark in 2015.

The acquisition of Sutton in 2013 yielded further benefits in 2014 in our ability to present a total FM service comprising hard and soft FM, planned, reactive and maintenance services. The company aims to develop its mobile maintenance services business. Over the course of 2014, the former Sutton FM brand was eased out and all of our FM activities are now presented under the BAM brand.

As part of its growth strategy, BAM FM has strengthened its business development team. As well as extending the range of work it provides to existing clients, BAM FM has started to tender for work among a wider range of clients, including bidding for places on frameworks.

In 2014, BAM FM won contracts on 15 buildings that had been constructed by BAM. It also won places on four local authority frameworks and contracts to provide FM service for three leading firms of managing agents for commercial properties.

The FM team continued to develop the application of BIM for facilities management in conjunction with construction and design colleagues.

The FM team has considerable expertise in energy management. For example, the team has helped Wharfedale Hospital in Yorkshire to cut its energy consumption and save 13,600 kWh a year by turning off heating, ventilation and air conditioning systems in

operating theatres in the hospital when they were not in use and devising a quick start option to ensure the theatres could be rapidly geared up for use in an emergency. Similar options are now being implemented at other BAM FM sites.

Along with BAM Design and BAM Construction, BAM FM has contributed to public discussion and awareness of the new government requirements for soft landings and ensured that BAM is at the forefront in meeting these standards. BAM FM sponsored two conferences on soft landings and participated in a wide range of events and online forums to share its expertise in BIM.



BAM Properties

The main priorities for BAM Properties in 2014 were to let and sell the portfolio of offices that it developed in recent years. It achieved this with considerable success as the commercial property market revived in 2014.

Two commercial offices, Washington House in Swindon and building A3 at Glory Park in High Wycombe, were sold in early 2014. FORE business park in the Midlands was sold to IM Properties in July 2014.

In Scotland, the flagship development, CONNECT11ONS at Queen St Glasgow was sold to Deutsche AWM and more than half the space has been let to leading professional services organisations: Brodies, Grant Thornton and Deloitte. BAM Properties will continue to manage the letting of the remaining space for Deutsche AWM with the goal in 2015 of securing occupiers for the office space and high-end brands for the retail space.

All of the divestments in 2015 were ahead of holding values leaving BAM Properties at the end of 2014 with negligible bank debt.

In 2015, the Properties team will also be focusing on letting remaining space at its office developments Metro in Salford, St Peter's Square in Stockport and the upper floors of Princes Street in Edinburgh with a view to then divesting them. It will also be concentrating on unlocking the value of some of its remaining undeveloped sites.

With the successful divestment of a substantial part of its portfolio and negligible bank debt, BAM Properties is seeking other

commercial and retail development opportunities in its own right, joint ventures, or as a consultant developer.

The BAM Connislow joint venture which specialises in student accommodation completed its first development in Durham in 2014. A second scheme for potential development in 2015 is in the final stages of consideration.



BAM Design

BAM Design had a good year in 2014 performing ahead of its targets. The design team contributed to a number of leading BAM projects including Somerstown Community Hub, four office blocks at King's Cross London, the striking tunnel link between Pancras Square and Pancras International station in London, the Graphene building for the University of Manchester and the Veterinary School at Surrey University. It also worked on most of BAM's academy projects and our flagship property development, CONNECT110NS in Glasgow.

In addition to its base in St Albans, Hertfordshire, BAM Design strengthened its presence in BAM's office in Leeds where BAM now has six design staff. BAM Design and BAM FM also opened a new joint office on York Way in King's Cross London.

BAM Design leads the development of BIM throughout BAM Construct UK. Its main focus in 2014 was preparing teams for the government requirements of level II BIM on all public sector projects by 2016 and explaining the implications and benefits to clients.

The team has also been examining the potential of point cloud surveying to model better energy management in existing buildings and examining the potential of 3D printing for prefabricated modular elements of buildings.

The design team share their expertise in BIM internally and externally through thought leadership activity at conferences, in the press and through social media channels and blogs.

In 2015, BAM Design intends to expand its retrospective modelling capabilities in conjunction with BAM FM to enable better operational and energy management of existing buildings. It also intends to develop its direct FF&E procurement using its abilities to design, procure, deliver and install, as there are considerable gaps in the market for these services where BAM can add more value to clients.



BAM Plant

BAM Plant provides site accommodation, communications installation, equipment hire and energy management for our site operations and manages BAM's fleet of vehicles. The division also organises scaffolding, crane operations, and complex lifts and installations on sites.

Having an in-house division means that the Group benefits from continuity, standards and shared learning and is assured of a high quality from colleagues who understand the Group's priorities and commitment to quality.

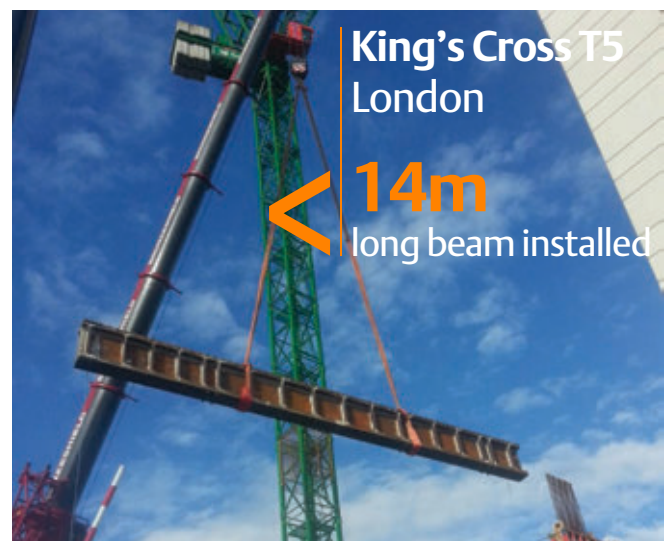
However, it is not compulsory for construction teams to use BAM Plant. In this way, projects have flexibility and we have constant benchmarks to ensure that BAM Plant's service is competitive and leading edge.

BAM Plant maintains a number of quality accreditations such as ISO 9001, 14001 and OHSAS 18001. In 2014, it achieved the bronze accreditation in Fleet Operation Recognition Standard (FORS) and aims to achieve silver FORS accreditation in 2015.

One of the principal innovations in 2014 was to enable sites to achieve full communications and IT set up within 48 hours using 4G technology. This has become the norm on BAM sites and provides flexibility as BT Openreach facilities typically take six weeks to establish full IT connectivity.

A key objective for BAM Plant is to assist the Group to manage its own energy consumption and fleet of vehicles as efficiently as possible. Since 2010 BAM Plant has helped the Group to achieve a decrease of 1,700kw of electricity per £1m turnover.

In 2014, BAM Plant opened a new depot in Morley, Leeds that enables it to support sites in the North of the country more effectively. The division is currently working on a new web portal for ordering plant which is scheduled for implementation in 2015.



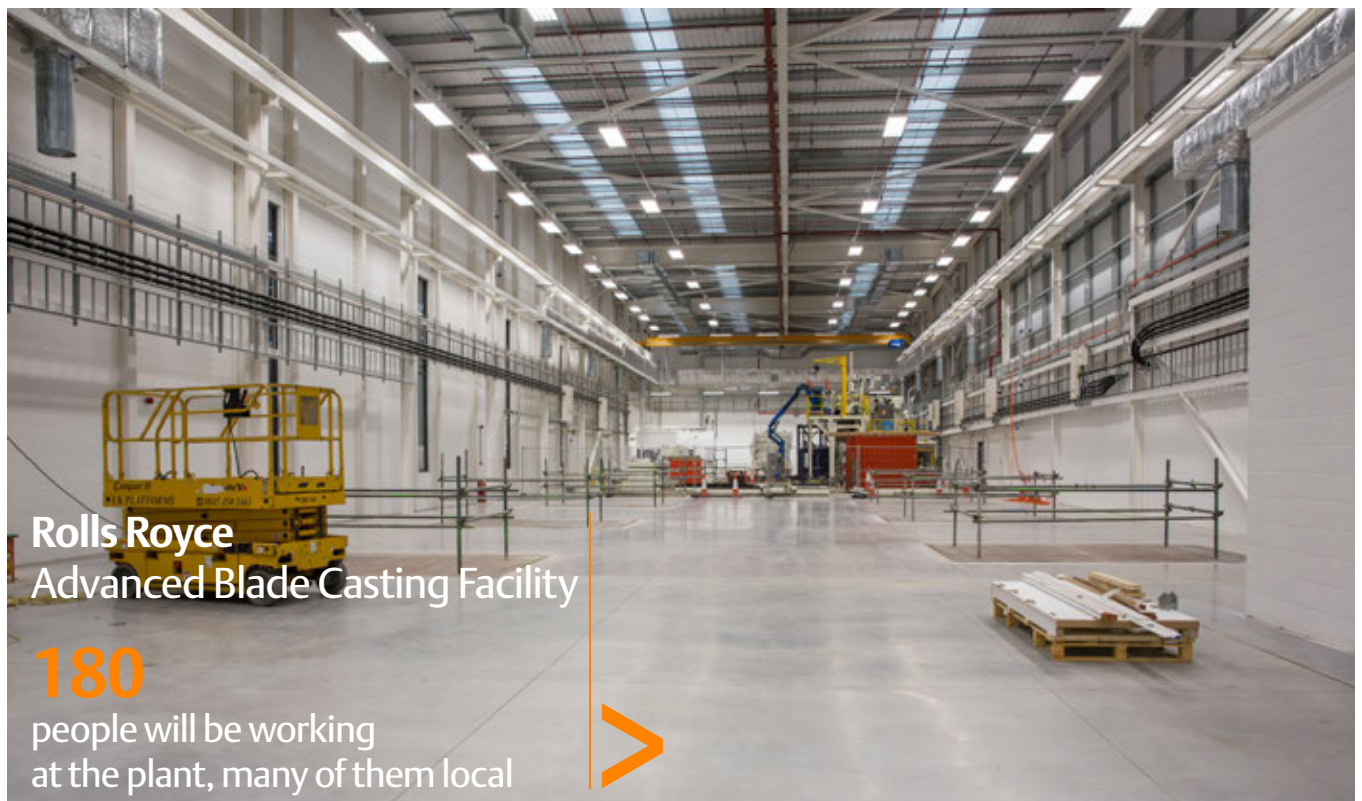
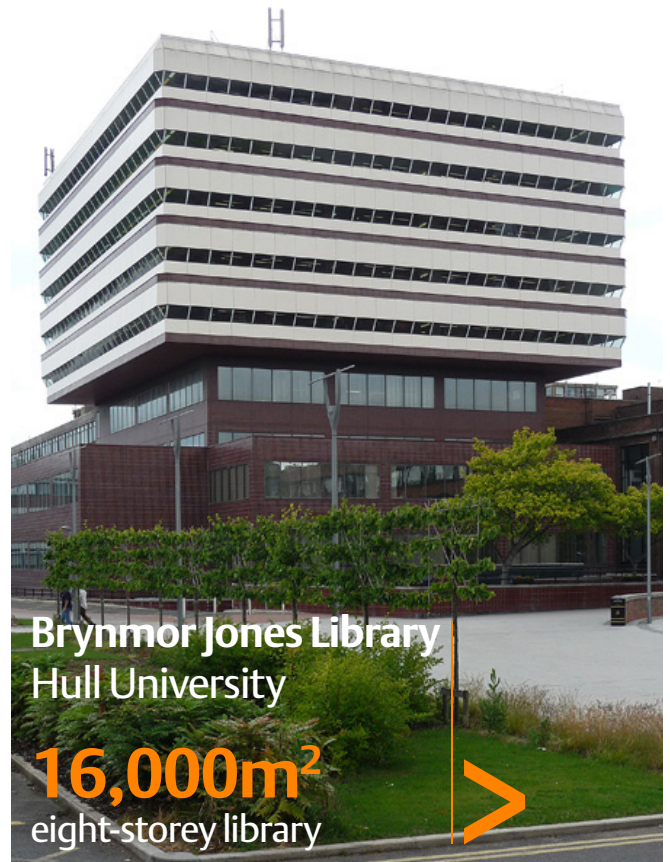
BAM Services Engineering

Having our own in-house services engineering division is an important asset for a number of reasons. There is currently a significant shortage of mechanical and electrical services capacity in the supply chain as many M&E contractors ceased trading during the recession. Our in-house division enables us to provide the expertise directly but also to quality assure the additional services we procure and significantly de-risk projects.

BAM Services Engineering provides a high level of expertise and work's collaboratively with our design and construction teams at the earliest stages of planning a project, frequently designing cost effective options to achieve more value for a client's budget. It also means that services are incorporated in a seamless way to initial design proposals.

In 2014, the division established a team in our office in Bristol, adding to their bases in St Albans and Leeds, and enabling it to support more of our construction teams nationwide.

In 2014 BAM Services Engineering were involved in many successful projects including: a new office in Bodmin for Cornwall Council, three office buildings at 1 Pancras Square at King's Cross, London, the Brynmawr Library for Hull University, the Advanced Blade Casting Facility for Rolls-Royce, and BAM Properties flagship development CONNECT110NS in Glasgow.



Ethics and standards

BAM has robust internal mechanisms to ensure that we conduct our business to high ethical standards.

BAM Construct UK's business systems team keeps the Group's procedures, guidance and data collection under review to ensure that they are fit for purpose.

Throughout 2014, employees who have data collection or data processing responsibilities undertook training in the requirements of the Data Protection Act. Employees were also reminded about the requirements of the Bribery Act 2013 and BAM's ethics policies. Employees can raise any concerns about unethical activities through Royal BAM Group's whistleblowing mechanism, or BAM Construct UK's completely confidential Employees Assistance Helpline.

In 2014, there were no reported or detected breaches of the Bribery Act or of the Group's ethics policy. No employee availed of the confidential whistleblowing mechanisms.

Throughout 2014, the Group maintained constant vigilance against the increasing risk of fraud. The measures included frequent checks and reviews of levels of authorisation, maintaining security controls, regular counter-checking with our banks, and communicating with staff and our customers about the need to be vigilant about bogus notifications or requests for sensitive information.

BAM Construct UK considers the attaining and maintaining of appropriate independent accreditations as an important benchmark for our internal standards. For example, in 2014, the Group was successfully audited by the British Standards Institute to maintain its ISO 9001 standard.

Our specialised technical services team also plays an important role in assuring quality and mitigating risk by providing advice and guidance on complex challenges that can occur in the construction process, frequently liaising with suppliers and materials manufacturers to find the best options for solving them. The team also oversees a live feed on the Group's intranet where employees can pose questions about technical issues in real time and have them answered by colleagues who have had experiences of similar issues and share what they have learned.

Developing our people

The number of employees stayed relatively constant throughout the recession unlike many of our competitors who reduced the size of their businesses. As the economy improves, the demand for experienced staff in all construction disciplines is buoyant as some construction companies start to recruit aggressively. The board is acutely aware of the need to attract, retain and develop employees. Losing a proportion of our experienced staff would pose a risk to the quality of our operations.

BAM Construct UK puts considerable effort into being an employer of choice. In 2014 the Group continued to develop the competency framework. Its purpose is to give employees a clear line of sight about how to progress in the Group, to enable us to assess their development needs and to ensure that progression and promotion are based on objective criteria.

During 2014 the HR team contributed to the focus on overall wellbeing of employees. The team conducted a confidential survey of employees in partnership with the Mental Health Foundation to enquire about employee's understanding and experience of mental health issues and how BAM could provide better support. The results have given us helpful insights and in 2015 we will be providing our HR managers with additional training and providing employees with more information to support mental health. We continue to promote the 24 hour confidential Employee Assistance Helpline.

As well as providing competitive salaries and benefits, BAM offers a number of schemes such as BAM Benefits which enables employees to obtain discounts from leading retailers, and participates in the Cycle to Work scheme.

BAM participates in the Fairness, Inclusion and Respect Leadership Group, led by Construction Industry Training Board to improve diversity awareness and practice in the construction industry. Our Head of HR Strategy chairs the UK Contractors Group Diversity Committee.

The board and HR team monitor the service profile of staff and engage in succession planning to allow time to prepare employees in for progression into senior roles.

In 2014, BAM invested £1,216,992 (2013: £1,303,077) in formal training and development of our staff, and employees participated in an average of 2.7 days formal training on programmes dealing with: health and safety, building information modelling, lean management, and financial management at contract level. Formal training was supplemented with e-learning courses on safety issues and data protection.

In addition, most business units staged collaborative workshops and a Group-wide national conference on collaborative working, involving 100 employees, was staged in July 2014.

In the current climate, being an employer of choice in the industry is a competitive advantage. The Group's ranking in the 2014/15 industry-wide Guardian UK 300 survey of undergraduate most popular employers moved up to 204 from 224 in the previous survey.

As well as training and development activities, the board is committed to engaging directly and openly with all employees so that they understand the Group's goals and how the business is progressing. In the spring of 2014, members of the board presented at nine roadshows around the country where they outlined how the Group was doing and plans for the future with time for questions and discussions afterwards. Staff were able to fill in a confidential online survey after the roadshows to give feedback on the presentations. The vast majority of attendees rated the presentations as good or excellent.

There are many other channels of communication for employees, including an intranet with content that changes daily and other social media channels such as Twitter, Facebook and Yammer. The Group has its own YouTube channel for video content about projects and our activities.

Promoting the BAM brand

The board considers it important to promote the reputation of the Group and the BAM brand and proactively engage with journalists to interest them in the Group's work and thought leadership activity. Throughout 2014, senior staff participated in interviews and articles in national, regional and trade print and broadcast

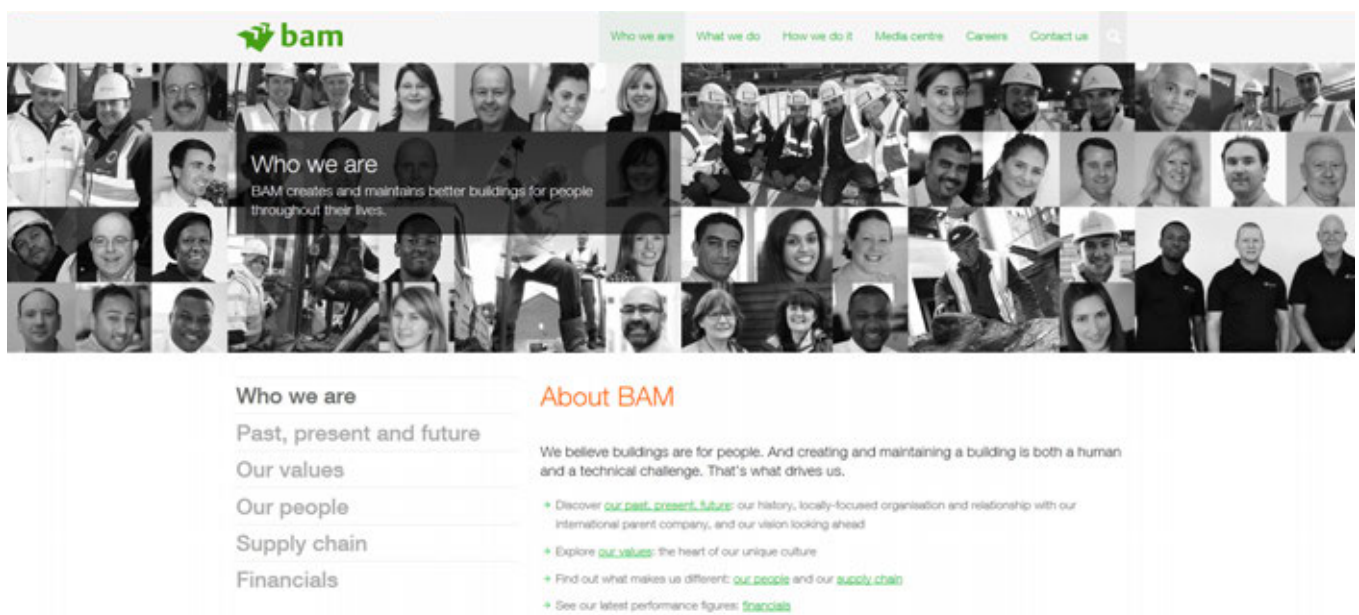
media. In addition, senior staff speak frequently at conferences and roundtables on relevant topics such as sustainable design, using building information modelling effectively, developing BIM for FM, apprenticeships and attracting talent to the construction and property services industry.

BAM Construct UK uses social media channels such as Twitter, Facebook, and YouTube to promote thought leadership and the Group's successes. For example, a blog by one of our sustainability specialists on the topic of BREEAM assessment was promulgated through Twitter, leading to exposure to 27,000 people.

In 2014, BAM Construct UK re-designed and upgraded its corporate website with a modern design, simpler navigation and improved content.

BAM Construct UK does not engage in any political party activity, nor does it make any donations to political parties. The Group, however, contributes to the development of the UK economy and society by contributing to the work of a number of industry wide bodies such as the CBI and sector specific bodies such as The UK Contractors Group and Construction Industry Training Board. We are involved in a wide range of industry and government committees and task groups.

Our Director of Learning and Development has been involved in the BIS Trailblazers initiative and in developing higher apprenticeship standards for the construction industry. Other examples of this work include being a member of the UK Green Building Council Non-domestic Zero Carbon Group and sponsoring and contributing to their report: Building Zero Carbon – the case for action.



Progress towards Zero Harm

Zero Harm is our goal to have completely safe operations so that neither BAM employees nor anyone who works with BAM suffers injury or ill health as result of our activities.

As the level of activity in the construction sector lifts, new risks emerge, particularly from scarce capacity in the supply chain. Therefore, engaging with our subcontractors and ensuring that they adhere to BAM's standards when they work with us was a key element of our safety management in 2014 and will remain a priority in 2015. We are mitigating these risks through additional training, guidance and campaigns involving our supply chain. In 2015 we are introducing a requirement that every subcontractor employee who comes to work on our sites has had at least one day of formal safety training from their own employer. This is in addition to the BAM specific safety induction before they work with us and safe-to-start reviews before every process.

In 2014, BAM Construct UK was audited and successfully reaccredited to the OSHAS 18001 standard.

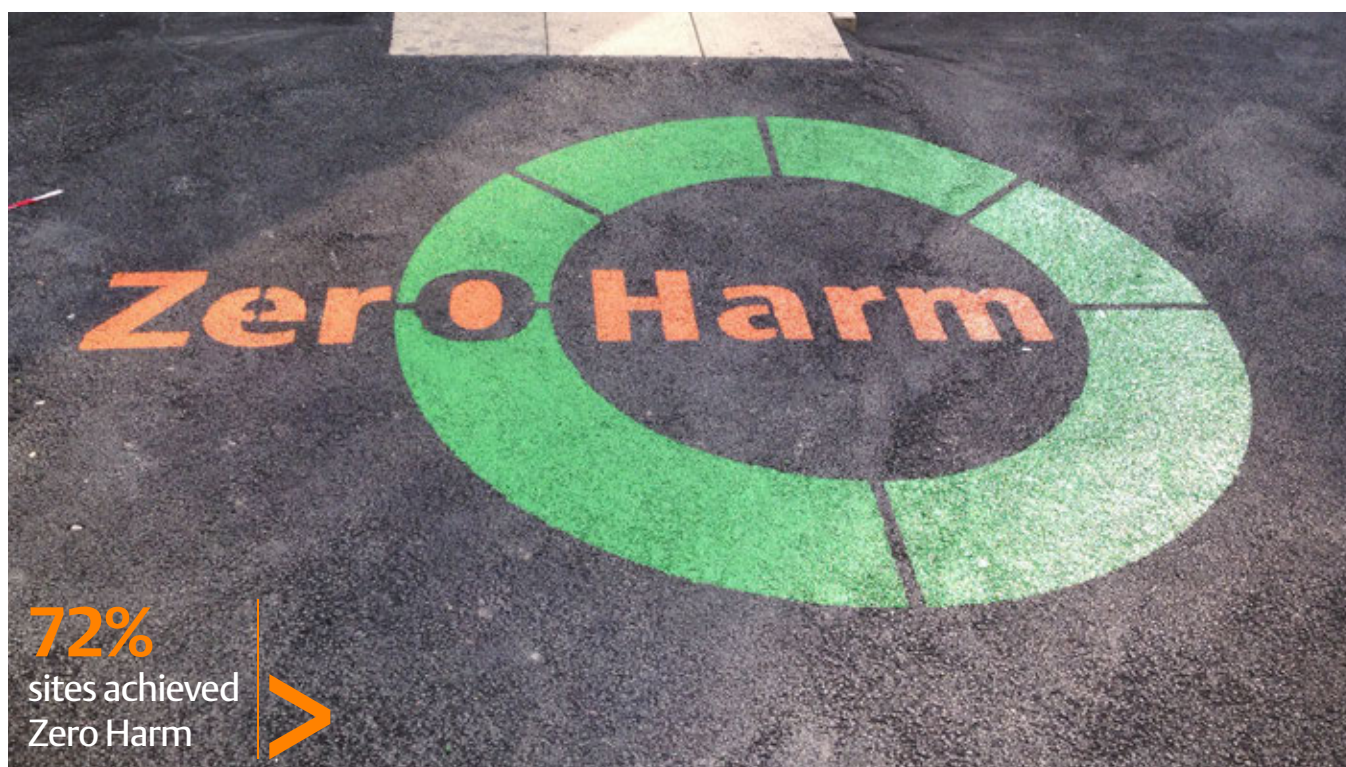
The health and safety team conducted a cultural assessment within the construction divisions in early 2014 to assess the strengths and weaknesses of our approach to safety and wellbeing. The findings were that leadership behaviours on health and safety were strong but that more attention needed to be paid to occupational health. This has led to the development of a new occupational health procedure.

Our overall accident rate continues to reduce. The number of no lost time accidents reduced in 2014 to 116 from 205 in 2013. However, accidents involving absences by the injured person of up to seven days' absence increased to 42 from 23 in 2013. There were 13 accidents involving absences of more than seven days, which was the same number as in 2013.

In 2015 we will continue to focus on reducing the incidence of accidents that involve lost time by improving our engagement with subcontractors and effective induction of employees who join BAM. We will continue to ensure that the directors of our operations display visible leadership by undertaking safety tours of all our sites and operations. We will also continue to foster a culture where every individual on our staff develops a personal commitment to the goal of Zero Harm.

BAM Construct UK contributes to the work of UKCG and British Safety Council to achieve better standards of health and safety in industry, and we contribute to consultations by the Health and Safety Executive. For example, in 2014 we contributed to development of standards for new CSCS Green Card (Building, Labourer) and defining competence amongst construction workers.

BAM Construct UK will shortly be signing a pledge to support the Department of Health Public Health Responsibility Deal.



Sustainability and social value

While we strive to do better by mitigating the impacts of waste and resource use and by lowering carbon emissions, we are also concentrating on doing more good. The main ways in which we achieve this is by designing sustainably and providing employment and skills opportunities in the communities where we work. We source supplies services and let subcontracts as locally as we can to our projects.

Our team of sustainability specialists works proactively and collaboratively with our design, construction and FM teams to help to design out waste and to be more resource efficient by using lean construction techniques and planning energy use from day one. In 2014, we introduced a requirement for each project team to develop a resources management plan to focus on resource efficiency as well as waste management.

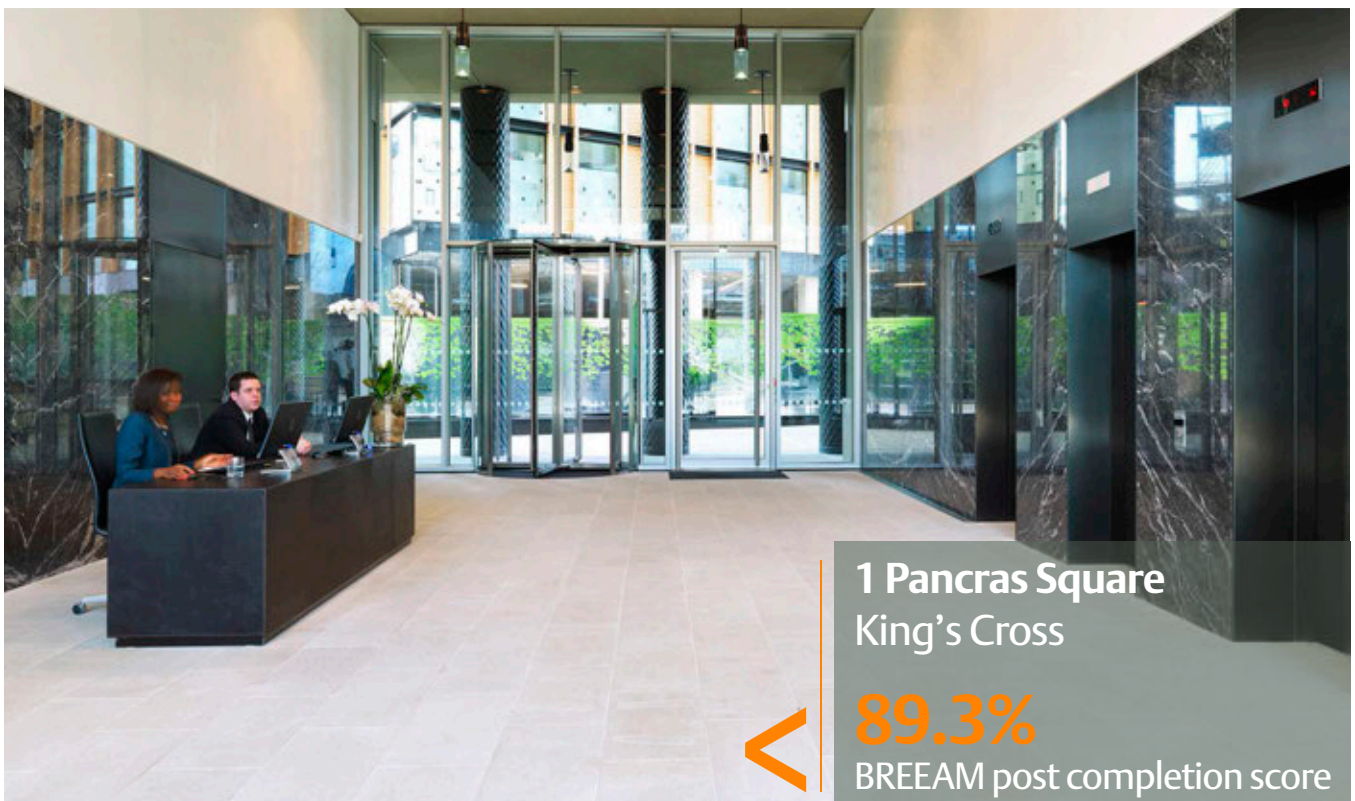
In particular, the team works with clients to help them to adopt a whole lifecycle approach to developing their buildings, where calculating the operational costs of the building and the energy needs over its whole lifecycle, influence the design and choice of materials at the outset. Embedded carbon and the impact of decommissioning a building at the end of its life are also key factors. The team is expert in the application of BIM and in 2014 increased its expertise in post occupancy evaluation to assist with this.

BAM Construct UK assists clients to achieve the highest BREEAM standards. Our project at 1 Pancras Square, King's Cross, London scored the highest ever post-completion score - 89.3% - for an office under the BREEAM 2011 standard.

The sustainability team leads BAM's participation in the work of the Ellen MacArthur Foundation and the team communicated internally and externally at events such as Ecobuild to promote understanding of the concept and practices of a circular economy. They also contribute to the work of WRAP, the UK Green Building Council, and the Supply Chain Sustainability School. Throughout 2014, BAM chaired the Grown in Britain Campaign to increase the use of timber grown in the UK.

In 2014, BAM was recertified to ISO 4001 environmental management standard until 2017 and also the international carbon standard CEMARS. BAM received the maximum score for data quality.

BAM Construct UK's performance contributed to Royal BAM Group being listed on the CDP index as a global leader in sustainable business performance alongside companies such as Apple, Google, and Philips. CDP is the leading index to measure climate change responsiveness in both performance and disclosure.



Carbon

BAM Construct UK's carbon footprint in 2014 was 11,716 tonnes CO₂ compared to 13,479 tonnes CO₂ in 2013. The reduction was due principally to a decrease in the quantity of fuel used on construction sites and energy efficiency generally. Our normalised emissions were 13.2 tCO₂/£m turnover compared to 16.2 tCO₂/£m in 2013.

We remain on track to reach a target of reducing emissions by the end of 2015 by 25% compared to a 2008 baseline.

During 2015, we will continue to deliver our carbon management plan and work with project teams and business units to minimise use of electricity and fuel on sites, business mileage and use of energy in our fixed premises.

In 2015, we will also increase our focus on embodied carbon, delivering whole life embodied carbon assessments on two projects and trailing a BIM tool for carbon assessment. This is a step beyond reducing our own direct emissions, to reduce the carbon impacts of the buildings we create.

Waste performance

Our principal objective on waste is to reduce construction waste production (volume) by 25% by the end of 2015 based on our 2010 baseline.

We reached 127m³/£m by year end 2014 and we need to reach 106m³/£m by year end 2015.

Sustainability contributes to business efficiency. For example, we save approximately £75,000 for every 1,000 tonnes of construction waste that we avoid.

The key actions to implement further improvements in 2015 include concentrating on reducing packaging waste and the use of plasterboard as it is estimated that together they account for approximately 28% of all construction waste. We have started to work with suppliers and manufacturers to reduce our consumption.

Community

BAM Construction has participated in the Considerate Constructors Scheme (CCS) for the past ten years and has consistently achieved higher scores than the industry average in independent audits conducted by CCS assessors. In 2014, BAM's average score was 40/50, compared to the industry average of 36/50.

BAM Construction will continue to register our projects with the CCS and aim to achieve high scores. In 2014, however, BAM Construction decided to cease to be an associate member of the CCS because, as the CCS has grown in size, the impact of associate membership has been largely lost, whereas the feedback from individual audits at site level remains valuable.

BAM won 24 CCS Awards in April 2014, 11 bronze, nine silver and four gold. Two BAM sites were runners-up for the most considerate site 2014: City Football Academy, Manchester and Musgrove Park Jubilee Building in Taunton.

An important objective of our work on designing, building and managing buildings is to improve the lives of the people who use them. We also try to create lasting social value by providing learning, skills and employment opportunities over the lifetime of our projects.

Increasingly, we work with local organisations and clients to agree targets for skills and apprenticeship opportunities on



projects so that the effects of our contribution can be more long lasting. The most successful example of this was at the City Football Academy in Manchester where BAM operated a drop-in centre over the life of the project. By partnering with local organisations and co-ordinating activities through the centre, 1,036 people who live in East Manchester and Tameside worked on the site; 95 people on the project were apprentices, trainees or undergoing other formal training, six homeless people obtained work experience and 50 people, including some disadvantaged learners, passed their CSCS tests.

Two of our construction divisions - North East and Western - have skills academy status.

Every BAM member of staff can take up to two days' paid leave for suitable volunteering activity, known as our TIME programme. Teams can pool their volunteering time to work together on charitable projects, and a grant of £1,000 a month is available to a team to support their activity. For example, the team building Johnstone Town Hall in Scotland used their time to improve access for wheelchair users to St Vincent's Hospice.

BAM Construct UK's charity partnership with Macmillan concluded at the end of 2014. Over the two year partnership we raised £190,000 which was £50,000 more than the target we set. This funding enabled Macmillan to provide 7,774 nursing hours to support people with cancer. At the end of 2014, our staff voted for The Alzheimer's Society as the Group's charity partner for 2015 and 2016. As well as the charity partnership, BAM Construct UK is a patron of CRASH, the construction industry's charity to support homeless people, our staff supported many of its fundraising activities and provided professional support on three construction projects to refurbish facilities for homeless people.

BAM Construct UK measures its community engagement and charitable investment against the standard criteria set by the London Benchmarking Group as demonstrated in the table below.

The board is committed to reporting transparently on the Group's performance on sustainability and creating social value; and a detailed report of our activities in 2014 will appear on our sustainability microsite in April 2015 at sustainability.bam.co.uk

BAM Construct UK community investment 2014

Contributions	Total contributions	Mandatory contributions*	Voluntary contributions
Cash	£59,237	£46	£59,191
Time (inc management)	£541,306	£109,190	£432,116
In-Kind	£15,575	£2,138	£13,437
Total (2014)	£616,118	£111,374	£504,744

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

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.



Graham Cash
Director and Chief Executive
BAM Construct UK Limited
8 May 2015

Directors' report

The Directors present their report and group accounts for the year ended 31 December 2014.

This Directors' report should be read in conjunction with the Chief Executive's foreword and the Strategic 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 (2013: £4.0m).

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 2014 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 auditor

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
8 May 2015

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; and
- 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 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent 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 Directors' Responsibilities Statement 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 financial statements 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 annual report 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 2014 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.

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
8 May 2015

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 financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

25 Group profit and loss account

At 31 December	Notes	2014 £m	2013 £m
Turnover			
Continuing operations:			
Ongoing		886.8	827.9
Acquisitions - Sutton Group Limited		-	11.6
Turnover		886.8	839.5
Cost of sales		(866.2)	(818.0)
Gross profit			
Operating and other administrative expenses		(16.0)	(14.6)
Other operating income		1.8	2.2
Operating profit			
Continuing operations:			
Ongoing		6.4	8.8
Acquisitions - Sutton Group Limited		-	0.3
	2	6.4	9.1
Share of operating loss in joint venture		(0.1)	-
Total operating profit: group and share of joint venture		6.3	9.1
Profit on disposal of tangible fixed assets	3	-	0.1
Profit on ordinary activities before interest and taxation			
Interest payable and similar charges	6	(1.0)	(1.9)
Interest receivable and other income	6	1.3	3.6
Profit on ordinary activities before taxation			
Taxation	7	(1.3)	(2.8)
Profit attributable to shareholder			
		5.3	8.1

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	2014	2013
	£m	£m
Profit for the financial year	5.3	8.1
Actuarial (loss) /gain on HBG UK/GA pension schemes – gross	(7.6)	4.9
Actuarial gain/(loss) on HBG UK/GA pension schemes – current tax credit	1.8	–
Actuarial loss on HBG UK/GA pension schemes – deferred tax charge	-	(0.2)
Change in unrecognised pension scheme surplus	(5.3)	(3.9)
Effect of restriction on expected return	4.3	0.3
Total recognised (losses)/gains relating to the financial year	(1.5)	9.2

Group balance sheet

At 31 December	Notes	2014 £m	2013 £m
Fixed assets			
Intangible assets	8	0.7	1.1
Tangible fixed assets	9	4.3	4.9
		5.0	6.0
Investment in Joint Venture:			
Share of gross assets		1.9	0.9
Share of gross liabilities		(2.0)	(0.9)
		(0.1)	-
Current assets			
Land and property developments	11	63.7	101.5
Stocks of raw materials and consumables		0.1	0.1
Debtors: amounts falling due within one year	12	238.5	252.2
Debtors: amounts falling due after more than one year	12	7.8	8.5
Cash at bank and in hand	13	61.9	62.8
		372.0	425.1
Creditors: amounts falling due within one year	14	(250.8)	(282.4)
Net current assets		121.2	142.7
Total assets less current liabilities		126.1	148.7
Creditors: amounts falling due after more than one year			
Non-recourse bank loans	14, 15	(8.5)	(21.5)
Trade creditors	14	(6.8)	(6.5)
		(15.3)	(28.0)
Provisions for liabilities and charges	16	(0.3)	(0.1)
Net assets excluding pension liabilities		110.5	120.6
Pension liabilities	22	-	(4.6)
Net assets including pension liabilities		110.5	116.0
Financed by:			
Capital and reserves			
Share capital	17	40.0	40.0
Profit and loss account	19	70.5	76.0
Equity shareholder's funds	19	110.5	116.0

The financial statements were approved by the Board of Directors on 8 May 2015 and signed on its behalf by:



Graham Cash
Director and Chief Executive

Parent company balance sheet

At 31 December	Notes	2014 £m	2013 £m
Fixed assets			
Tangible fixed assets	9	1.7	2.5
Investment in subsidiaries	10	83.1	81.9
		84.8	84.4
Current assets			
Debtors: amounts falling due within one year	12	86.8	114.3
Cash at bank and in hand	13	33.2	6.8
		120.0	121.1
Creditors: amounts falling due within one year	14	(94.0)	(84.8)
Net current assets		26.0	36.3
Total assets less current liabilities		110.8	120.7
Provisions for liabilities and charges	16	(0.3)	(0.1)
Net assets excluding pension liabilities		110.5	120.6
Pension liabilities	22	-	(4.6)
Net assets including pension liabilities		110.5	116.0
Financed by:			
Capital and reserves			
Share capital	17	40.0	40.0
Revaluation reserve	19	63.3	62.1
Profit and loss account	19	7.2	13.9
Equity shareholder's funds	19	110.5	116.0

The financial statements were approved by the Board of Directors on 8 May 2015 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 2014. 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. 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.

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.

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)**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.

- 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.

1. Accounting policies (continued)

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.

Pensions

The Group sponsors 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.

1. Accounting policies (continued)

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.

2. Operating profit

	2014	2013
	£m	£m
This is stated after charging / (crediting):		
Depreciation of owned assets	2.3	2.4
Operating lease rentals		
– land and buildings	2.5	2.8
– plant and vehicles	0.8	0.7
Auditor's remuneration		
– audit	0.4	0.4
Incidental rental income from development properties	(1.4)	(0.8)
	2014	2013
	£000s	£000s
Audit of the financial statements	90.0	84.0
Fees payable to the company's auditor for the audit of the company's accounts	75.0	78.5
The audit of the company's subsidiaries pursuant to legislation	280.0	278.5
Total audit	445.0	441.0
Other assurance services	30.0	-
Total non-audit services	30.0	-
	475.0	441.0

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

	2014	2013
	£m	£m
Proceeds from sale of tangible fixed assets	-	0.2
Less: net book value	-	(0.1)
Profit on disposal of tangible fixed assets	-	0.1

4. Directors' emoluments

	2014	2013
	£000	£000
Aggregate emoluments of the 3 directors (2013: 3 directors) excluding pension contributions	892	783
Group contributions to defined contribution schemes	35	34

	2014	2013
	No.	No.
Members of defined benefit schemes	-	2

	2014	2013
	No.	No.
Members of defined contribution schemes	1	3

	2014	2013
	£000	£000
The amounts in respect of the highest paid director were as follows:		
Emoluments	361	319
	361	319
Accumulated total accrued pension per annum	-	112

5. Staff costs

	2014 £m	2013 £m
(a) The aggregate payroll costs, including directors' emoluments, were as follows:		
Wages and salaries	97.5	92.6
Social security costs	10.3	10.0
Other pension costs	9.4	8.8
	117.2	111.4

Included in other pension costs are £nil (2013: £nil) in respect of the defined benefit schemes and £9.4m (2013: £8.8m) in respect of the defined contribution schemes.

	2014 No.	2013 No.
(b) The average number of persons employed by the group during the year including directors, was as follows:		
Staff	1,590	1,502
Operatives	676	731
	2,266	2,233

6. Net interest

	2014 £m	2013 £m
Interest payable and similar charges:		
Bank interest	1.2	2.0
Amortisation of loan issue costs	-	0.2
	1.2	2.2
Interest capitalised	(0.2)	(0.2)
Capitalisation of loan issue costs amortised	-	(0.1)
Interest payable	1.0	1.9

	2014 £m	2013 £m
Interest receivable and other income:		
Bank interest	0.6	0.7
Interest from ultimate parent company	0.7	0.9
Net return on financing of pension deficit	-	2.0
Interest receivable	1.3	3.6
Net interest	0.3	1.7

The cumulative amount of interest capitalised in land and property developments at the balance sheet date is £3.4m (2013: £4.6m).

7. Taxation

	2014 £m	2013 £m
(a) Tax on profit on ordinary activities		
UK corporation tax	0.1	(1.3)
Adjustment in respect of earlier years	(0.3)	(0.3)
Total current tax credit	(0.2)	(1.6)
Origination and reversal of timing differences	1.5	3.4
Effect of decreased tax rate on opening liability	-	1.0
Total deferred tax charge	1.5	4.4
Total tax charge for the year	1.3	2.8

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2013: lower) than that calculated at the average rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are reconciled below:

	2014 £m	2013 £m
Profit on ordinary activities before tax	6.6	10.9
Profit on ordinary activities multiplied by the rate of corporation tax in UK of 21.5% (2013: 23.25%)	1.4	2.5
Disallowed expenses	0.2	0.2
Decelerated capital allowances	0.1	0.1
Adjustments in respect of earlier years	(0.3)	(0.3)
Pension cost relief in excess of pension cost charge	(1.5)	(3.9)
Other timing differences	(0.1)	(0.2)
	(0.2)	(1.6)

(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 Finance Act 2013, which was substantively enacted on 2 July 2013, provides for a further reduction in the main rate of corporation tax to 20% from 1 April 2015.

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

7. Taxation (continued)

(d) Deferred tax

Group

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

	2014 £m	2013 £m
Included in debtors: amounts falling due within one year (Note 12)	1.6	1.8
Included in defined benefit pension liability (Note 22)	-	1.3
	1.6	3.1
Other short term timing differences	0.6	0.9
Decelerated capital allowances	1.0	0.9
Pension costs	-	1.3
Deferred tax asset	1.6	3.1
At 1 January including deferred tax on defined benefit pension liability	3.1	7.7
Deferred tax charge in profit and loss account	(1.5)	(4.4)
Amount charged to statement of total recognised gains and losses	-	(0.2)
At 31 December including deferred tax on defined benefit pension liability	1.6	3.1

Company

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

	2014 £m	2013 £m
Included in debtors: amounts falling due within one year (Note 12)	1.0	1.2
Included in defined benefit pension liability (Note 22)	-	1.3
Deferred tax asset	1.0	2.5

	2014 £m	2013 £m
At 1 January including deferred tax on defined benefit pension liability	2.5	7.1
Deferred tax charge in profit and loss account	(1.5)	(4.4)
Amount charged to statement of total recognised gains and losses	-	(0.2)
At 31 December including deferred tax on defined benefit pension liability	1.0	2.5

8. Intangible assets

	Other Intangible assets £m
Group	
Cost:	
At 1 January 2014	1.5
Acquisitions	-
At 31 December 2014	1.5
Amortisation:	
At 1 January 2014	0.4
Charge for year	0.4
At 31 December 2014	0.8
Net book value:	
At 31 December 2014	0.7
At 31 December 2013	1.1

Other intangible assets comprises the surplus of the Fair value of net assets acquired in Sutton Group Limited above the net assets (see note 10).

9. Tangible fixed assets

	Short leasehold property £m	Plant, machinery & vehicles £m	Fixtures & office equipment £m	Total £m
Group				
Cost:				
At 1 January 2014	1.1	11.5	12.5	25.1
Additions	-	1.1	0.7	1.8
Disposals	-	(0.6)	-	(0.6)
At 31 December 2014	1.1	12.0	13.2	26.3
Depreciation:				
At 1 January 2014	0.8	9.2	10.2	20.2
Charge for the year	0.1	0.8	1.4	2.3
Disposals	-	(0.5)	-	(0.5)
At 31 December 2014	0.9	9.5	11.6	22.0
Net book value:				
At 31 December 2014	0.2	2.5	1.6	4.3
At 31 December 2013	0.3	2.3	2.3	4.9

Plant, machinery and vehicles includes plant and machinery with a net book value of £2.3m (2013: £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 £7.6m (2013: £7.4m).

9. Tangible fixed assets (continued)

	Short leasehold property £m	Fixtures & office equipment £m	Total £m
Company			
Cost:			
At 1 January 2014	1.1	12.2	13.3
Additions	-	0.7	0.7
At 31 December 2014	1.1	12.9	14.0
Depreciation:			
At 1 January 2014	0.8	10.0	10.8
Charge in the year	0.1	1.4	1.5
At 31 December 2014	0.9	11.4	12.3
Net book value:			
At 31 December 2014	0.2	1.5	1.7
At 31 December 2013	0.3	2.2	2.5

10. Investments

Investments in subsidiary undertakings

Parent Company	2014 £m	2013 £m
At 1 January	81.9	86.6
Additions	-	-
Revaluation	1.2	(4.7)
At 31 December	83.1	81.9

The Group's principal subsidiaries and associated undertaking at 31 December 2014 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 at its fair value at the date of acquisition.

10. Investments (continued)

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

11. Land and property developments

	2014 £m	2013 £m
At 1 January	101.5	111.8
Construction costs incurred	20.2	4.9
Interest capitalised	0.2	0.3
Disposals (recognised in cost of sales)	(58.2)	(10.2)
Impairment	-	(5.3)
At 31 December	63.7	101.5

12. Debtors

	Group 2014 £m	Parent Company 2014 £m	Group 2013 £m	Parent Company 2013 £m
Amounts falling due within one year				
Amounts recoverable on contracts	29.3	-	4.3	-
Trade debtors	69.4	0.1	86.1	-
Amounts due from parent and fellow subsidiary undertakings	65.3	63.7	98.0	96.7
Amounts due from subsidiary undertakings	-	13.4	-	11.2
Other debtors	2.9	0.1	1.6	0.1
Prepayments and accrued income	68.0	1.0	59.1	1.6
Deferred tax asset	1.6	1.0	1.8	1.2
Corporation tax	2.0	3.8	1.3	3.5
VAT	-	3.7	-	-
	238.5	86.8	252.2	114.3
Amounts falling due after more than one year				
Trade debtors	7.8	-	8.5	-
	7.8	-	8.5	-

Amounts due from parent and fellow subsidiary undertakings includes £60.4m on deposit with Royal BAM Group (2013: £91.9m) which is repayable on demand.

13. Cash at bank and in hand

The total Group cash at bank and in hand of £61.9m (2013: £62.8m) includes £2.8m (2013: £2.7m) which is not available for utilisation without prior agreement of third parties.

14. Creditors

	Group 2014 £m	Parent Company 2014 £m	Group 2013 £m	Parent Company 2013 £m
Amounts falling due within one year				
Non-recourse bank loans (note 15)	-	-	7.9	-
Payments on account	11.8	-	22.5	-
Accrual for foreseeable losses	12.5	-	5.2	-
Trade creditors	51.3	-	60.6	-
Amounts due to subsidiary undertakings	-	83.0	-	75.3
Other taxation and social security	4.0	3.1	6.5	5.2
Other creditors	9.0	3.3	2.0	0.2
Accruals and deferred income	162.2	4.6	177.7	4.1
	250.8	94.0	282.4	84.8
Amounts falling due after more than one year				
Non-recourse bank loans (note 15)	8.5	-	21.5	-
Trade creditors	6.8	-	6.5	-
	15.3	-	28.0	-

15. Non-recourse bank loans

The Group has non-recourse loans which are secured on property developments and are reported within creditors. 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	2014 £m	2013 £m
Amounts falling due within 1 year		
Bank loan	-	7.9
Less: unamortised issue costs	-	-
	-	7.9

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. This loan was repaid in July 2014.

Amounts falling due after more than one year	2014 £m	2013 £m
Bank loan	8.5	21.7
Less: unamortised issue costs	-	(0.2)
	8.5	21.5
Bank loans repayable between 1 & 2 years	8.5	-
Bank loans repayable between 2 & 5 years	-	21.5
	8.5	21.5

As at 31 December 2014, 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 Manchester.

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.

Parent Company

As at 31 December 2014, no loans were advanced in respect of assets held by the company (2013: nil).

16. Provisions for liabilities and charges

	Deferred taxation £m	Other liabilities £m	2014 Total £m	2013 Total £m
Group				
At 1 January	-	0.1	0.1	0.1
Created during the year	-	0.2	0.2	0.2
Released during the year	-	-	-	(0.2)
At 31 December	-	0.3	0.3	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.

	2014 Other liabilities £m	2013 Other liabilities £m
Parent Company		
At 1 January	0.1	0.1
Created during the year	0.2	0.2
Released during the year	-	(0.2)
At 31 December	0.3	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.

17. Called up share capital

	2014 £m	2013 £m
Authorised, allotted, called up and fully paid: 40,000,000 ordinary shares of £1 each	40.0	40.0

18. Dividends

	2014 £m	2013 £m
Dividends on ordinary shares		
Final declared and paid of £0.10 per share (2013: £0.10 per share)	4.0	4.0

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

	Share capital £m	Profit & loss account £m	Total £m
Group			
Shareholder's funds at 1 January 2013	40.0	70.8	110.8
Profit attributable to shareholder	-	8.1	8.1
FRS 17 Actuarial loss 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
Profit attributable to shareholder	-	5.3	5.3
FRS 17 Actuarial gain net of related current and deferred tax	-	(6.8)	(6.8)
Dividend declared and paid	-	(4.0)	(4.0)
Shareholder's funds at 31 December 2014	40.0	70.5	110.5

	Share capital £m	Revaluation of shares in subsidiary undertakings £m	Profit & loss account £m	Total £m
Parent Company				
Shareholder's funds at 1 January 2013	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
Profit attributable to shareholder	-	-	4.1	4.1
Gain on revaluation of subsidiary undertakings	-	1.2	-	1.2
FRS 17 Actuarial loss net of related current and deferred tax	-	-	(6.8)	(6.8)
Dividend declared and paid	-	-	(4.0)	(4.0)
Shareholder's funds at 31 December 2014	40.0	63.3	7.2	110.5

The profit attributable to the shareholder of the parent company is £4.1m (2013: profit of £12.8m).

20. Obligations under non-cancellable operating leases

At 31 December 2014, the Group had annual commitments under non-cancellable operating leases comprising:

	2014 £m	2013 £m
Land and buildings		
Leases terminating:		
Within one year	0.1	-
In two to five years	1.0	0.7
In over five years	1.4	1.8
	2.5	2.5

	2014 £m	2013 £m
Other		
Leases terminating:		
Within one year	0.3	0.1
In two to five years	0.1	0.6
	0.4	0.7

At 31 December 2014, the company had annual commitments under non-cancellable operating leases comprising:

	2014 £m	2013 £m
Land and buildings		
Leases terminating:		
Within one year	0.1	-
In two to five years	0.7	0.3
In over five years	1.3	1.8
	2.1	2.1

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 (2013: €125 million) with a duration to 30 July 2017. The amount of the subordinated term loan outstanding at the year end was €125 million (2013: €125 million).

In 2012, the level of the committed revolving credit facility was increased from €475 million to €500 million and its 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 €nil (2013: €40 million).

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 2014 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 £nil million (2013: £67.7 million). The net overdraft position in the cash pooling facility as at 31 December 2014 was £nil (2013: £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 2014 there were overdraft balances in a number of group companies in the cash pooling facility amounting to £19.5 million (2013: £48.3 million). The net overdraft position in the cash pooling facility as at 31 December 2014 was £nil (2013: £nil). This guarantee is not expected to give rise to any loss.

22. Pension commitments

The two main pension schemes sponsored 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 Group opened a Legal & General defined contribution pension scheme for new members of staff. Both schemes were 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.

22. Pension commitments (continued)

The dates of the latest triennial valuations of these schemes completed and available and the total scheme valuations reported at the valuation dates are:

	Date	Total deficit
Overall scheme valuations		
Cheshire Scheme	31 March 2013	£(707)m
Bath & North East Somerset Council (Bristol Schools) Scheme	31 March 2013	£(876)m
West Sussex County Council (Crawley Schools) Scheme	31 March 2013	£(371)m
The Strathclyde Pension Fund (East Renfrewshire Schools) Scheme	31 March 2011	£(320)m
Worcestershire County Council Pension Fund (Bromsgrove Schools) Scheme	31 March 2013	£(767)m
Solihull Schools Scheme	31 March 2013	£(4,205)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 Group made a special contribution of £13,880,000 in 2014 (2013: £13,880,000). The Group has also agreed to make further special contributions of £13,880,000 in 2015; and payments of £4,950,000 in each of 2016, 2017, 2018, 2019, 2020 and 2021.

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

		Contributions in the year	
		2014	2013
		£m	£m
HBG UK / HBG GA Schemes	– ordinary contribution	0.6	0.6
	– special contribution	13.9	13.9
	– total	14.5	14.5

During the year, the Group made contributions of £9,009,000 (2013: £8,638,000) to the Legal & General defined contribution scheme, contributions of £179,000 (2013: £191,000) to the TUPE schemes and £193,000 (2013: £50,000) to the People's Pension. The amounts outstanding at the year end were £794,000 (2013: £761,000).

The Group's best estimate of contributions including special contributions expected to be paid to the HBG UK and GA pension schemes in 2015 is £14,509,000 (2014: £14,490,000).

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 2014. The assessment of the liabilities at 31 December 2014 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.

22. Pension commitments (continued)

HBG UK / GA schemes	2014	2013
The principal assumptions used by the actuaries were:		
Discount rate	3.70%	4.60%
Future salary increases	3.40%	3.70%
Future pension increases	2.70% - 3.10%	3.40%
Inflation assumption	3.20%	3.50%
Revaluation in deferment	2.20%	2.50%

		2014	2014	2013	2013
		Years	Years	Years	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	22.8	24.0
	Females	24.4	25.4	24.3	25.2
Retiring in 20 years time	Males	24.3	26.4	24.2	26.3
	Females	25.9	27.8	25.8	27.7

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	2014	2013
	£m	£m
Change in benefit obligation		
Present value of benefit obligation at beginning of year	339.3	335.0
Current service cost	-	-
Interest cost	15.2	14.2
Plan participants' contributions	-	-
Actuarial loss	50.3	1.4
Benefits paid	(15.9)	(11.3)
Present value of benefit obligation at end of year	388.9	339.3
Change in plan assets		
Fair value of plan assets at beginning of year	339.7	313.7
Expected return on plan assets	19.5	16.5
Actuarial gain on plan assets	42.7	6.3
Employer contributions	14.5	14.5
Benefits paid	(15.9)	(11.3)
Fair value of plan assets at end of year	400.5	339.7
Surplus as at 31 December	11.6	0.4
Underlying surplus in the HBG UK / HBG GA schemes	11.6	6.3

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 UK and HBG GA pension assets are not recognised.

Unrecognised portion of plan assets	2014	2013
	£m	£m
Opening balance	6.3	2.4
Current year movement	5.3	3.9
Closing balance	11.6	6.3

The amounts recognised in the balance sheet are as follows:

HBG UK / GA schemes

Present value of benefit obligation	(388.9)	(339.3)
Fair value of plan assets	400.5	339.7
Gross surplus/(deficit)	11.6	0.4
Unrecognised portion of plan assets	(11.6)	(6.3)
	-	(5.9)
Deferred tax asset	-	1.3
Net liability in the balance sheet	-	(4.6)

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

HBG UK / GA schemes

	2014	2013
	£m	£m
Current service cost	-	-
Expected return on plan assets	(19.5)	(16.5)
Interest on benefit obligations	15.2	14.2
Effect of restriction on expected return	4.3	0.3
Total cost credited to the profit and loss account	-	(2.0)

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

HBG UK / GA schemes	2014	2013
	£m	£m
Actuarial loss - defined benefit obligation	(50.3)	(1.4)
Actuarial gain - plan assets	42.7	6.3
Change in unrecognised pension scheme surplus	(5.3)	(3.9)
Effect of restriction on expected return	4.3	0.3
Actuarial loss - current tax credit	1.8	-
Actuarial loss - deferred tax charge	-	(0.2)
Total (loss)/gain recognised	(6.8)	1.1

The cumulative amount of actuarial losses recognised in the STRGL are:

	(122.5)	(107.6)
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22. Pension commitments (continued)

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

HBG UK / GA schemes

	2014		2013	
	Value £m	Expected rate of return	Value £m	Expected rate of return
Equities	111.2	6.2%	93.2	7.6%
Properties	25.0	6.2%	20.2	7.6%
Index linked gilts	29.9	3.1%	21.3	3.9%
Corporate bonds	58.9	3.5%	58.2	4.6%
Liability hedge	157.1	2.4%	82.6	3.6%
Dynamic asset allocation	7.3	6.4%	55.6	7.6%
Cash	0.2	0.5%	0.4	0.5%-0.6%
Other	10.9	3.7%	8.2	6.0%
Total fair value of plan assets	400.5		339.7	

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.

	2014	2013
Expected overall long-term returns on plan assets		
HBG UK	4.01%	5.92%
HBG GA	4.10%	5.20%

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

HBG UK / GA schemes

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of the benefit obligation at end of year	(388.9)	(339.3)	(335.0)	(320.0)	(287.3)
Fair value of the plan assets at end of year	400.5	339.7	313.7	293.6	272.2
Gross surplus/(deficit)	11.6	0.4	(21.3)	(26.4)	(15.1)
Experience adjustments gain/(loss) on benefit obligation	1.4	(2.0)	-	6.1	0.7
Experience adjustments gain on plan assets	43.0	6.8	2.8	0.1	13.1

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
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Associated undertaking

Discovery Quay Development Limited (33%) * †	Property development
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* 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
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Registered number: 3311781



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