

BAM Construction 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

Contents

01 >	Introduction		03 >	Financial statements	
	BAM in brief	3		Directors' report	15
	2014 at a glance	4		Statement of directors' responsibilities	17
02 >	Strategic report			Independent auditor's report	18
	BAM Construction	5		Profit and loss account	19
	Future strategy	7		Statement of total recognised gains and losses	19
	BAM Design	8		Balance sheet	20
	BAM Plant	9		Notes to the accounts	21 - 28
	BAM Services Engineering	10		Offices	29
	Sustainability and social value	11			

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

BAM in brief

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

We have 15 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

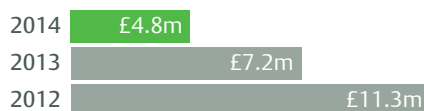
Turnover

£777.8m



Profit before taxation

£4.8m



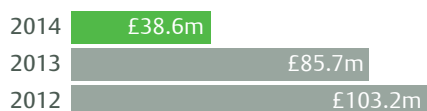
Year end work in hand

£930.7m



Cash position at year-end

£38.6m



Shareholder's funds at year-end

£44.1m



Working capital at year-end

£47.8m



% 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

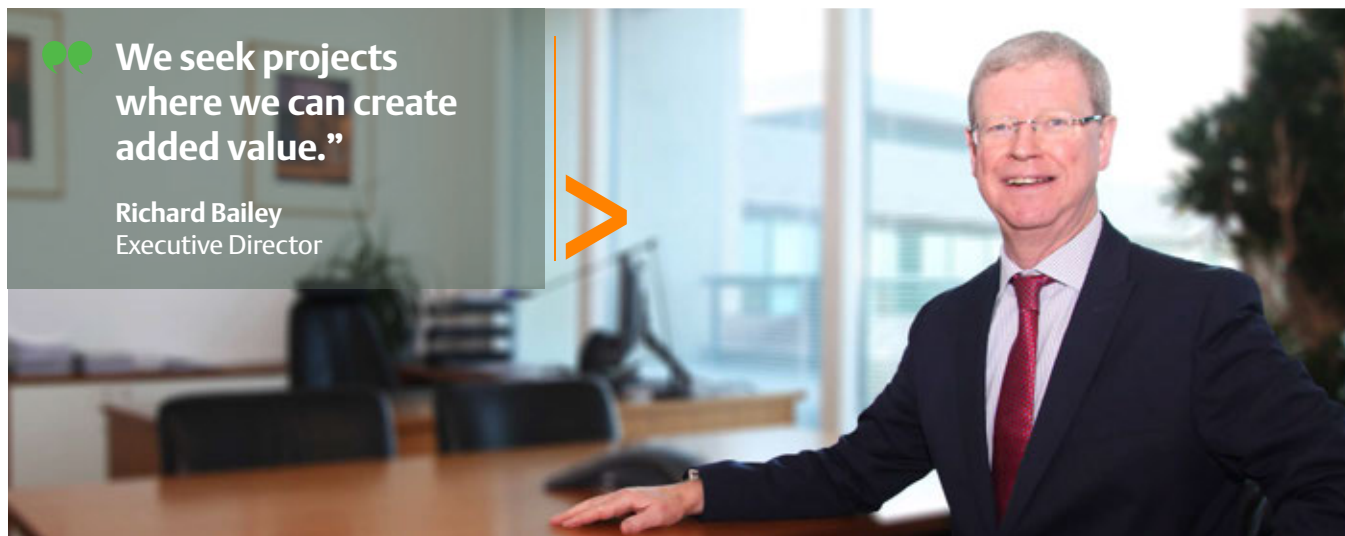
value of cash and in-kind
community support

Strategic report



We seek projects where we can create added value.”

Richard Bailey
Executive Director



BAM Construction

BAM Construction is part of BAM Construct UK and provides construction, design, services engineering and plant services throughout England, Scotland and Wales. The company works closely with BAM Properties and BAM FM, which are also part of BAM Construct UK.

In addition, the company collaborates when appropriate with the UK civil engineering company BAM Nuttall and with BAM PPP who specialise in public private partnerships.

BAM Construction is organised into seven operational divisions in Scotland, North East, North West, Midlands, Western, South East and London, because this enables us to stay close to our customers and to understand local factors and conditions.

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 1b of Morriston 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, 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; the 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.

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 are recognising 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 sites. 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

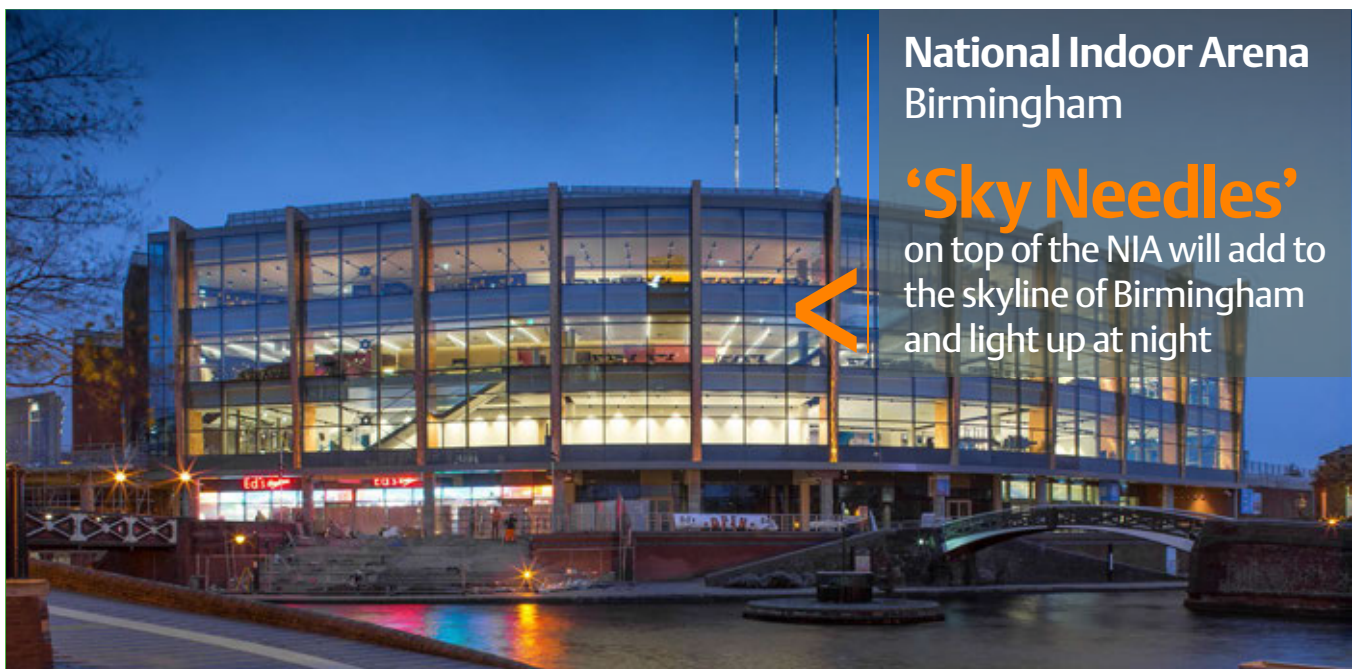
our internal disciplines, and with our partners and supply chain that leads to earlier decisions and a better outcome.

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 1 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



National Indoor Arena Birmingham

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

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 allow 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.

Future Strategy

The board of BAM Construction aligns its strategy with that of BAM Construct UK and our ultimate parent company Royal BAM Group nv.

In the short term, BAM Construct UK's principal priority is to improve its profitability by operating more efficiently and managing cash more effectively.

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

For BAM Construction therefore, the emphasis will be on creating greater value rather than volume.

We will remain committed to our regional structure and to achieving a balanced portfolio of public and private work ranging over the sectors of education, health, commercial, advanced manufacturing, transport, leisure and cultural facilities.

We will seek to grow our profitability not by diluting service to clients but by seeking out complex work with clients who wish to use the full range of BAM's services and exploit the added value that can be created from the integrating services that BAM can offer.

By making more use of our design and services engineering capabilities, the use of new BIM technologies, and using the expertise of our colleagues in BAM FM, we can create buildings that will be more effective in operation and easier and more efficient to manage and maintain.

We will continue to develop our collaborative working style and lean principles to achieve greater efficiency within BAM and with our subcontractors.

Traditionally construction has been a low margin industry with a high level of risk. This became particularly acute in the recession years. The directors of BAM Construction have maintained a prudent approach to risk throughout those years. As the market improves, we are becoming more selective about projects and choosing to bid for projects where we can create added value for our clients and a healthier profit margin.

We will also contribute to the overall success of BAM Construct UK by helping to create opportunities for a long term relationship for BAM FM to manage and maintain the buildings we construct and by being an effective construction partner for BAM Properties on its speculative and pre-let property developments.

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

	2014 £m	2013 £m	Change %
Turnover	777.8	783.1	(0.7)
Operating profit	4.3	6.6	(34.8)
Profit after tax	3.7	5.4	(31.5)
Work in hand	930.7	793.1	17.3
Cash and cash equivalents	38.6	85.7	(55.0)
Working capital	47.8	47.0	1.7
Shareholder's funds	44.1	43.2	2.1
Current assets as % of current liabilities 'quick ratio'	121.4%	118.5%	2.4

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.



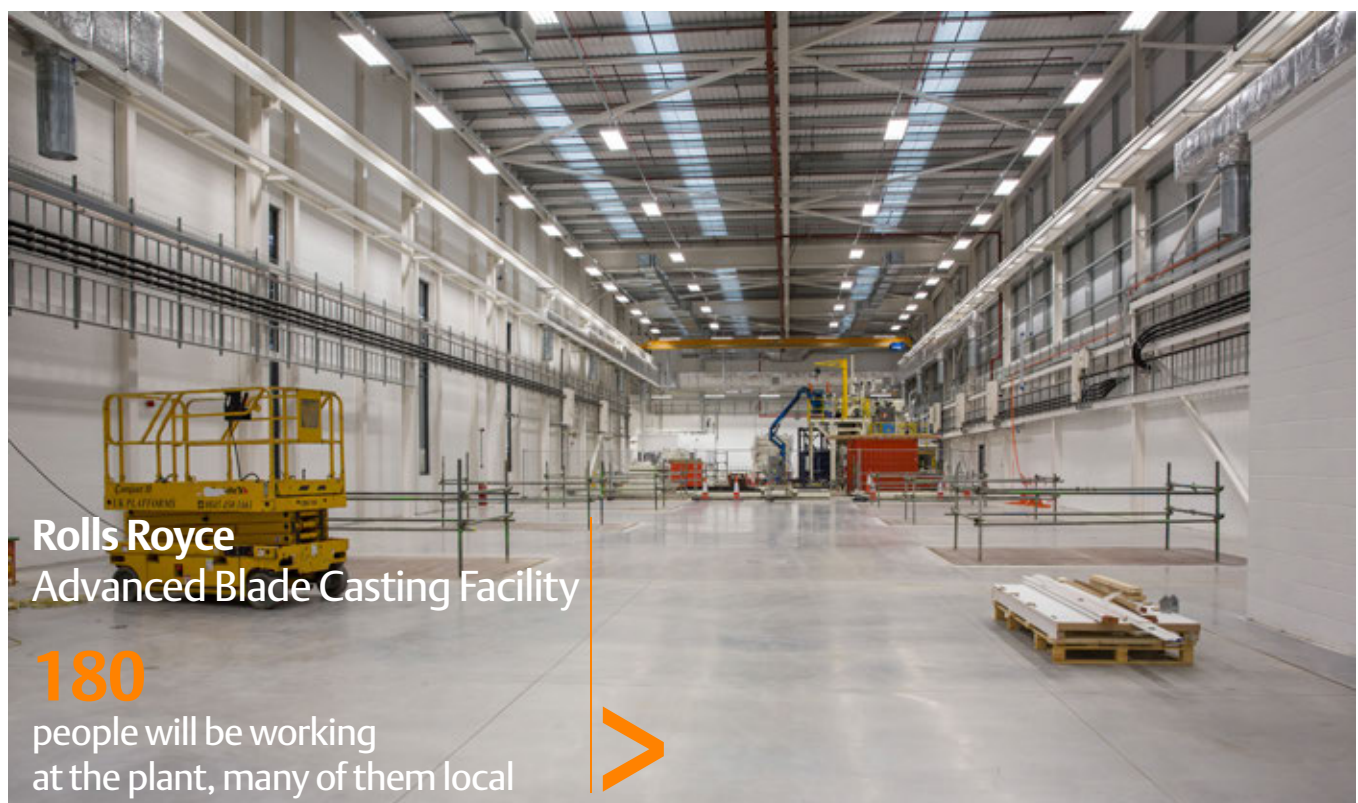
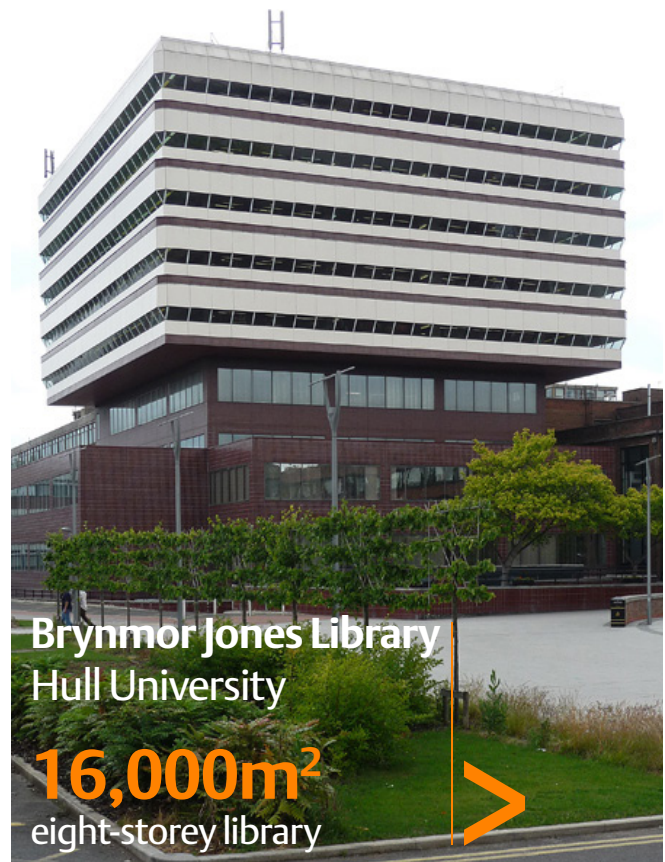
BAM Services Engineering

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.

BAM Services Engineering provides a high level of expertise and works 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 as 1 Pancras Square at King's Cross, London, the Brynmawr Library for Hull University, Advanced Blade Casting facility for Rolls-Royce, and BAM Properties flagship development CONNECT110NS in Glasgow.



Sustainability and social value

As the largest company within BAM Construct UK, BAM Construction plays a major part in the Group's goals to be a sustainable and ethical business.

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 and 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 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 trialling 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



City Football Academy,
Manchester
Community initiative



25
work experience placements

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; 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.



Richard Bailey
Executive Director
8 May 2015

Nishkam High School
Birmingham

700

pupil multi-faith,
Sikh ethos high school



Directors' report

The Directors present their report and financial statements for the year ended 31 December 2014.

This Directors' report should be read in conjunction with 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 £3.0m was declared and settled (2013: £9.0m).

Future developments

While 2014 has been a steady year for the company, the directors continue to monitor closely trends and forecasts for demand in the various streams of its businesses and developments in the economy generally. The directors will have regard to potential policy changes as a result of the 2015 General Election and a possible referendum on the issue of Britain's continued membership of the European Union.

Health and education will remain key markets. However the directors are aware that these markets are susceptible to decreases in public spending. The directors consider that the successful strategy to date of winning places on frameworks remains the best way of alleviating this risk and ensuring that the company is best placed to compete successfully for available work in the public sector.

The company will also seek to promote its reputation for delivering corporate work to some of the leading organisations in British industry and promoting its capacity in refurbishment and retrofitting, building information modelling, design and service engineering.

Although demand for construction services is recovering as the UK economy strengthens, new risks are emerging as a result of products inflation and as a result of a scarcity of skilled resources in the supply chain. It is also essential for BAM to retain its own highly skilled staff. The directors of BAM Construction will pay particular attention to these factors in its negotiations and contract settlements with clients. BAM Construction has always treated its supply chain fairly and works with subcontractors collaboratively, consulting them, sharing expertise with them and involving them early in projects to achieve optimum results for all partners. We believe these features make us a main contractor of choice for many subcontractors and we will continue to have fair, supportive and collaborative relationships with our subcontractors and suppliers.

Similarly, BAM Construction has a very loyal and committed staff who express consistent commitment and satisfaction in working with the company in confidential surveys. We will continue to maintain a good working environment for our people and to offer them good benefits, development and career progression, and support in maintaining their well-being and balanced lifestyles. In 2015 we are introducing a new competence framework to help us to offer better development opportunities and so that staff can see more easily what is expected of them if they wish to progress to senior roles in BAM.

The synergies of all the companies within BAM Construct UK are apparent to the directors of BAM Construction who will continue to maximise the benefits of working together in a more integrated way. Similarly, BAM Construction will share knowledge and experience with other companies in Royal BAM Group and call on their expertise when necessary. The company will, in particular, continue to work closely with BAM Nuttall on appropriate projects in the rail and transport sectors.

Subsidiaries

The principal activities of the subsidiary undertaking is shown in note 10 to the accounts.

Qualifying third party indemnity provisions for directors

The company'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 Construction during the year ended 31 December 2014 and up to the date of this report:

- R Bailey
- S G P Byrne
- G Cash
- J R Dakin - resigned 28 February 2014
- R Ellis
- D Keillor
- S Robinson
- S J Tapson - resigned 30 June 2014
- J W R Wimpenny

N Goff was appointed a director of the company on 1 May 2014.

R Stiles was appointed a director of the company on 28 February 2014.

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 liquidity balances within the business;
- the principal risks and uncertainties already outlined in the previous sections to this report; and
- the future forecasts for the company.

After considering the above points, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence 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 company'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.

Richard Bailey

Executive Director

8 May 2015

Leigh UTC Dartford

Will accommodate up to

600

students from the
age of 14 to 19



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

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

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

Independent auditor's report to the members of BAM Construction Limited

We have audited the financial statements of BAM Construction Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, 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 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 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 company's affairs as at 31 December 2014 and of its 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.

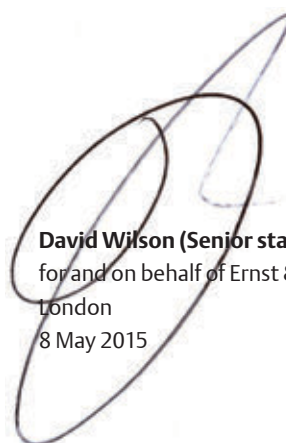
Opinion on other matter prescribed by the Companies Act 2006

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



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.

19 Profit and loss account

For the year ended 31 December	Notes	2014 £m	2013 £m
Turnover	2	777.8	783.1
Cost of sales		(741.5)	(743.3)
Gross profit		36.3	39.8
Administrative expenses		(33.2)	(35.3)
Other operating income		1.2	2.1
Operating profit	3	4.3	6.6
Profit on disposal of tangible fixed assets	4	0.1	0.1
Profit on ordinary activities before interest and taxation		4.4	6.7
Interest receivable	6	0.4	0.5
Profit on ordinary activities before tax		4.8	7.2
Tax on profit on ordinary activities	7	(1.1)	(1.8)
Profit for the year		3.7	5.4

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

Statement of total recognised gains and losses

	2014 £m	2013 £m
Profit for the year	3.7	5.4
Surplus on revaluation of subsidiary undertakings	0.2	–
Total recognised gains relating to the year	3.9	5.4

Registered number
2379469

Balance sheet

20

At 31 December	Notes	2014 £m	2013 £m
Fixed assets			
Tangible fixed assets	9	2.5	2.3
Investments	10	0.6	0.4
		3.1	2.7
Current assets			
Stocks and work in progress		0.1	0.1
Debtors: amounts falling due within one year	11	224.8	206.4
Debtors: amounts falling due after more than one year	11	7.8	8.5
Cash at bank and in hand		38.6	85.7
		271.3	300.7
Creditors: amounts falling due within one year	12	(223.5)	(253.7)
Net current assets		47.8	47.0
Total assets less current liabilities		50.9	49.7
Creditors: amounts falling due after more than one year	13	(6.8)	(6.5)
Net assets		44.1	43.2
Capital and reserves			
Share capital	14	24.0	24.0
Revaluation reserve	15	0.6	0.4
Profit and loss account	15	19.5	18.8
Equity shareholder's funds	15	44.1	43.2

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



Richard Bailey
Executive Director

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 subsidiary undertakings, and in accordance with applicable UK accounting standards and comply with the Companies Act 2006.

The company is exempt from the requirement to prepare group accounts in accordance with section 400 of the Companies Act 2006 as it is a wholly owned subsidiary of its immediate parent undertaking, BAM Construct UK Limited, a company incorporated in England. The company's results are included in the consolidated accounts of BAM Construct UK Limited. Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of its ultimate parent undertaking, Koninklijke BAM Groep n.v. (Royal BAM Group), a company registered in the European Union, which prepares consolidated accounts, the company has taken advantage of the exemption provided under FRS 1 (Revised) not to prepare 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 liquidity balances within the business;
- the principal risks and uncertainties already outlined in the previous sections to this report; and
- the future forecasts for the company.

After considering the above points, the directors have a reasonable expectation that the company 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.

Investments

The investments in subsidiaries are included at directors' valuation based on the company's share of net assets of the subsidiary company. This policy is considered to be appropriate as the directors consider this to be the most accurate reflection of the company's investment position.

In the opinion of the directors, the aggregate value of the company's investment in its subsidiaries and amounts owing by them is not less than the amount at which they are stated in the accounts.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable in bringing the asset into working condition for its intended use. Depreciation is provided under the straight line method to write off the depreciable element of the cost of tangible fixed assets over their expected useful lives as follows:

Plant and machinery	- 8.33% to 60.00% per annum
Motor vehicles	- 25.00% per annum

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

1. Accounting policies (continued)

Long-term contracts

Contract work in progress is valued at total cost incurred plus attributable profits less foreseeable losses and applicable payments on account. 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. Total cost includes direct cost and allocated overhead. The resultant balance on individual contracts is included under debtors as 'amounts recoverable on contracts', under creditors as 'payments received on account', or under creditors as 'accruals for foreseeable losses'.

Operating Leases

Rentals payable under operating leases are charged 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.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Work in progress and finished goods are valued at the lower of the cost of direct materials and labour plus attributable overheads based on a normal level of activity, and net realisable value.

Deferred taxation

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:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets (including investments in subsidiary undertakings), 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; and
- 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.

Related parties

Advantage has been taken of the exemption in FRS 8, not to disclose details of transactions between wholly owned group undertakings.

Construction revenue recognition

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.

2. Turnover

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. Turnover is attributable to one continuing class of business, design and construct contracting, traditional building, the provision of services engineering, plant hire and supply of associated services, and arose wholly within the United Kingdom.

3. Operating profit

Certain administrative costs, including audit fees, staff costs, and operating lease costs for land and buildings and for plant and vehicles, were met by the immediate parent undertaking.

	2014	2013
	£m	£m
This is stated after charging:		
Depreciation of owned assets	0.8	0.8
Operating lease rentals – plant and vehicles	0.8	0.8

	2014	2013
	£000s	£000s
Fees for the audit of the company	107.0	129.0

Fees paid to the company's auditor Ernst & Young LLP, for services other than the statutory audit of the company are not disclosed in this company's accounts since the consolidated accounts of the company's parent, BAM Construct UK Limited, are required to disclose non-audit fees on a consolidated basis.

4. Profit on disposal of tangible fixed assets

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

5. Directors' emoluments

R Bailey and G Cash, directors of this company throughout the financial year, were also directors of BAM Construct UK Limited, the company's immediate parent undertaking, for the same period. Their remuneration for the period in which they served as directors of BAM Construct UK Limited, all of which was paid by, and attributable to, services provided to BAM Construct UK Limited, is disclosed in the accounts of that company. S G P Byrne, J R Dakin, R Ellis, N Goff, D Keillor, S Robinson, R Stiles, S J Tapson and J W R Wimpenny received remuneration from BAM Construct UK Limited, the company's immediate parent undertaking, as employees of that company. A management charge of £18.9m (2013: £17.4m) in respect of administrative costs has been made to the company by BAM Construct UK Limited which includes directors' emoluments which it is not possible to identify separately.

6. Interest receivable

	2014	2013
	£m	£m
Bank interest receivable	0.4	0.5

7. Tax on profit on ordinary activities

	2014 £m	2013 £m
(a) Tax on profit on ordinary activities		
UK Corporation tax		
Corporation tax	1.0	1.9
Total current tax charge	1.0	1.9
Origination and reversal of timing differences	-	(0.1)
Total deferred tax charge/(credit)	0.1	(0.1)
Total tax charge for the year	1.1	1.8

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is more than (2013: more than) 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	4.8	7.2
Profit on ordinary activities multiplied by the rate of corporation tax in UK of 21.5% (2013:23.25%)	0.9	1.7
Expenses not deductible for tax purposes	0.1	0.1
Short term timing differences	-	0.1
Total current tax charge	1.0	1.9

(c) Factors that may affect future tax charges

In accordance with the company's accounting policy, investments in subsidiary undertakings are carried at the company's share of net assets. The directors believe that in the event of a future disposal no tax liabilities should arise. The company is not proposing to dispose of any subsidiary undertakings in the foreseeable future.

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% by 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. Tax on profit on ordinary activities (continued)

(d) Deferred tax

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

	2014	2013
	£m	£m
Included in debtors (Note 11)	0.3	0.3
Decelerated capital allowances	-	0.1
Short term timing differences	-	0.2
Deferred tax asset	0.3	0.3

8. Dividends

	2014	2013
	£m	£m
Declared and settled during the year		
Equity dividends on ordinary shares:		
Final dividend: 12 pence per share (2013: 37 pence per share)	3.0	9.0

9. Tangible fixed assets

	Plant, machinery and vehicles	
	2014	2013
	£m	£m
Cost:		
At 1 January	10.8	10.6
Additions	1.1	0.9
Disposals	(0.6)	(0.7)
At 31 December	11.3	10.8
Depreciation:		
At 1 January	8.5	8.3
Charge for the year	0.8	0.8
Disposals	(0.5)	(0.6)
At 31 December	8.8	8.5
Net book value:		
At 31 December	2.5	2.3

Plant and machinery include assets with a net book value of £2.3m (2013: £2.1m) which are hired to other group companies and to third parties. These assets are depreciated over their expected useful lives at rates of 8.33% to 60.00%. These assets have accumulated depreciation of £7.6m (2013: £7.4m).

10. Investments

	2014 £m	2013 £m
Subsidiary undertakings		
Valuation:		
At 1 January	0.4	0.4
Revaluation surplus	0.2	–
At 31 December	0.6	0.4

The following is 99.99% owned direct subsidiary undertaking of the company:

Incorporated in England and Wales	Nature of business
BAM Design Limited	Design Services

11. Debtors

	2014 £m	2013 £m
Debtors: amounts falling due within one year		
Amounts recoverable on contracts	29.1	5.4
Trade debtors	64.1	82.5
Other debtors	1.0	0.8
Amounts due from ultimate parent undertaking	0.2	0.1
Amounts due from immediate parent undertaking	72.1	64.2
Amounts due from fellow subsidiary undertakings	0.9	0.8
Prepayments and accrued income	57.1	52.3
Deferred tax asset	0.3	0.3
	224.8	206.4

	2014 £m	2013 £m
Debtors: amounts falling due after more than one year		
Trade debtors	7.8	8.5

12. Creditors: amounts falling due within one year

	2014 £m	2013 £m
Payments received on account	10.9	22.5
Accrual for foreseeable losses	12.5	5.2
Trade creditors	50.9	60.1
Amounts due to subsidiary undertaking	0.7	0.5
Corporation tax	1.1	1.9
Other creditors	3.2	0.3
Accruals and deferred income	144.2	163.2
	223.5	253.7

13. Creditors: amounts falling due after more than one year

	2014 £m	2013 £m
Trade creditors	6.8	6.5

14. Share capital

	2014 £m	2013 £m
Authorised: 24,000,100 Ordinary shares of £1 each	24.0	24.0
Allotted, called up and fully paid 24,000,002 Ordinary shares of £1 each	24.0	24.0

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

	Share capital £m	Revaluation reserve £m	Profit and loss account £m	Total shareholder's funds £m
At 1 January 2013	24.0	0.4	22.4	46.8
Profit for the year	-	-	5.4	5.4
Dividends declared and settled	-	-	(9.0)	(9.0)
At 1 January 2014	24.0	0.4	18.8	43.2
Profit for the year	-	-	3.7	3.7
Gain of revaluation of subsidiary undertakings	-	0.2	-	0.2
Dividends declared and settled	-	-	(3.0)	(3.0)
At 31 December 2014	24.0	0.6	19.5	44.1

16. Obligations under non-cancellable operating leases

At 31 December 2014 there were annual commitments under operating leases comprising:

	2014 £m	2013 £m
Equipment and vehicles		
Leases terminating:		
Within one year	0.1	0.1
In two to five years	0.8	0.6
At 31 December	0.9	0.7

17. Contingent liabilities

- (a) 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 for one of the companies in the cash pooling facility of £nil (2013: £67.7m). 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.
- (b) The company is party to various litigation arising in the ordinary course of the 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 company.
- (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 €125million (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 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.

18. Parent undertaking and controlling party

The company's immediate parent undertaking is BAM Construct UK Limited, a company incorporated in England. 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 undertaking (the largest group of which the company is a member and for which group accounts are prepared) and of BAM Construct UK Limited (the smallest group) are available from this company's registered office.

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www.bam.co.uk

Here you will find downloadable PDFs of:

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

Registered number: 2379469



> **bam.co.uk**

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