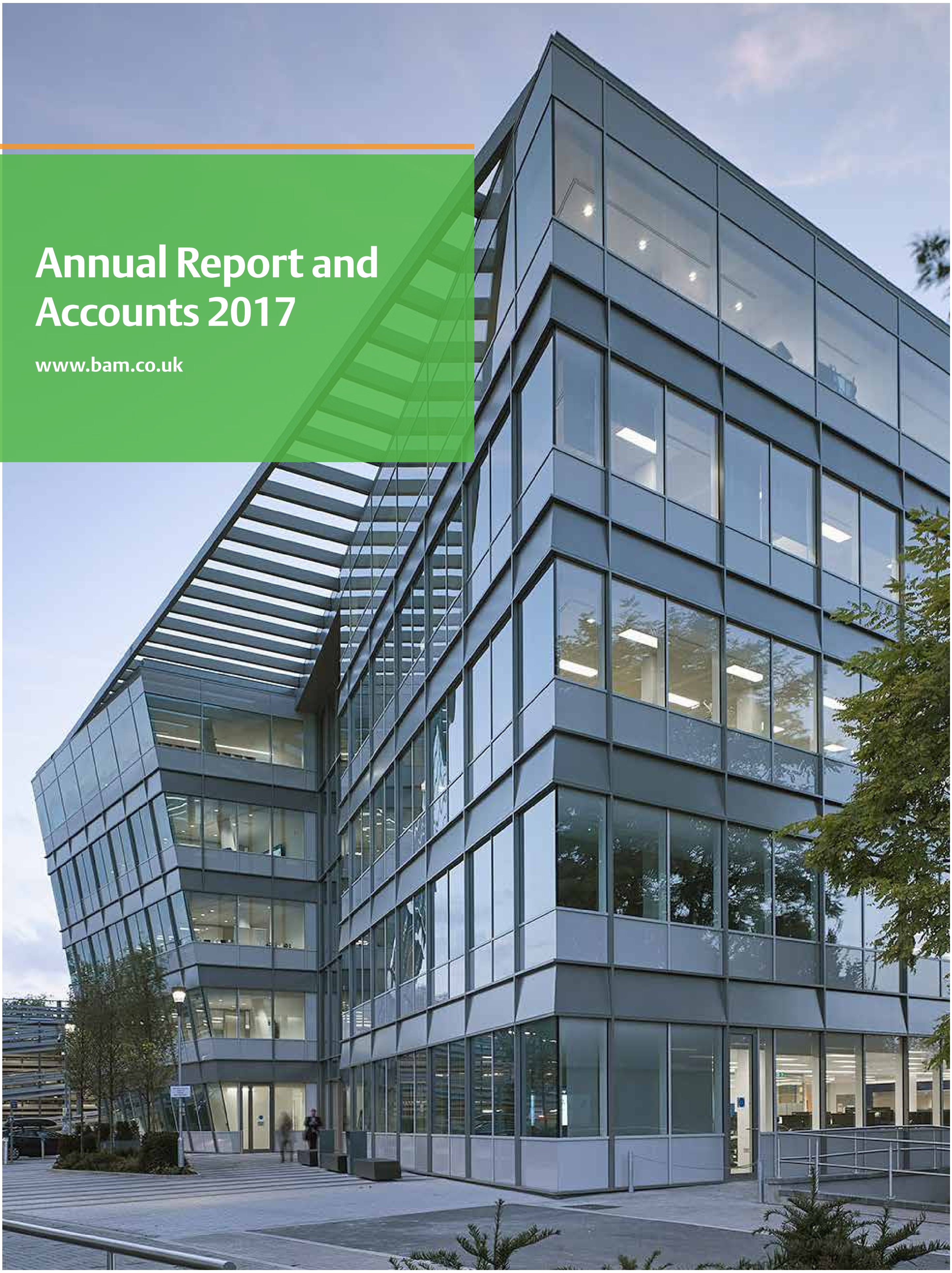
BAM Construct UK Limited



Annual Report and Accounts 2017

www.bam.co.uk

BAM Construction handed over the £12.4m Sarah Swift Building to the University of Lincoln and saved the University almost £2.2m through value engineering the design

An overview of our 2017 performance, our future direction, and a review of the businesses underpinning our strategy.

Cover image:
Tamesis 1, a £35m UK headquarters for a leading technology research firm, was completed in September 2017.

Visit our website at:
www.bam.co.uk

Registered number
3311781

BAM in brief

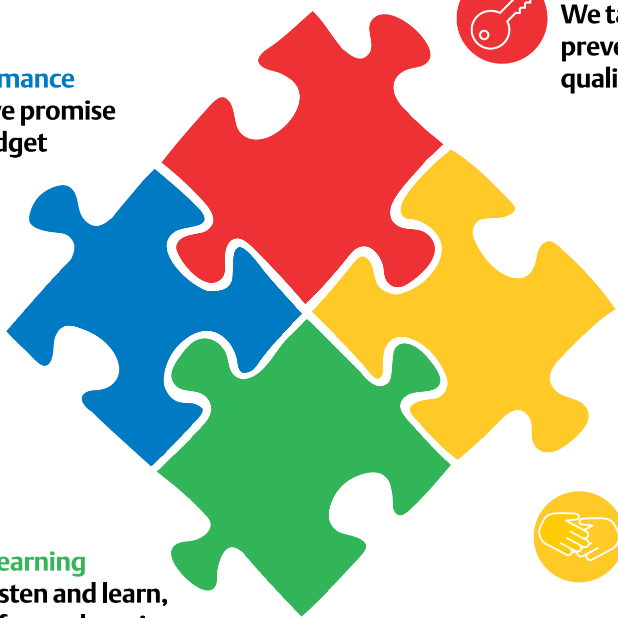
BAM Construct UK operates throughout England, Scotland and Wales and engages in property development, design, services engineering, construction and facilities management.

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, along with all the operating companies in the Royal BAM Group, to follow four attributes in the way we do business:

Proactive ownership
We take the initiative to prevent problems and deliver quality

Predictable performance
We deliver what we promise on time and on budget



Open collaboration
We share knowledge with our clients and partners so that everyone gains

Scalable learning
We ask, listen and learn, and transfer our learning from project to project and team to team

Our goal is to be a high-performing, collaborative design, construction, property and FM services provider, to partner with our clients and supply chain and to forge strong, strategic alliances that create value and win repeat business.

2017 at a glance

Group turnover (£m)

£957.5m

2017	957.5
2016	1,072.2
2015	897.5

Profit before tax (£m)

£19.3m

2017	19.3
2016	26.2
2015	13.0

Order book (£m)

£1,624.0m

2017	1,624.0
2016	1,653.6
2015	1,723.5

Cash and cash equivalents (£m)

£82.3m

2017	82.3
2016	116.6
2015	78.9

Shareholder's funds at year end (£m)

£155.4m

2017	155.4
2016	150.1
2015	137.1

Working capital at year-end (£m)

£108.4m

2017	108.4
2016	99.5
2015	95.0

Riddor accidents

13

2017	13
2016	25
2015	23

CO_2 emissions (tonnes)

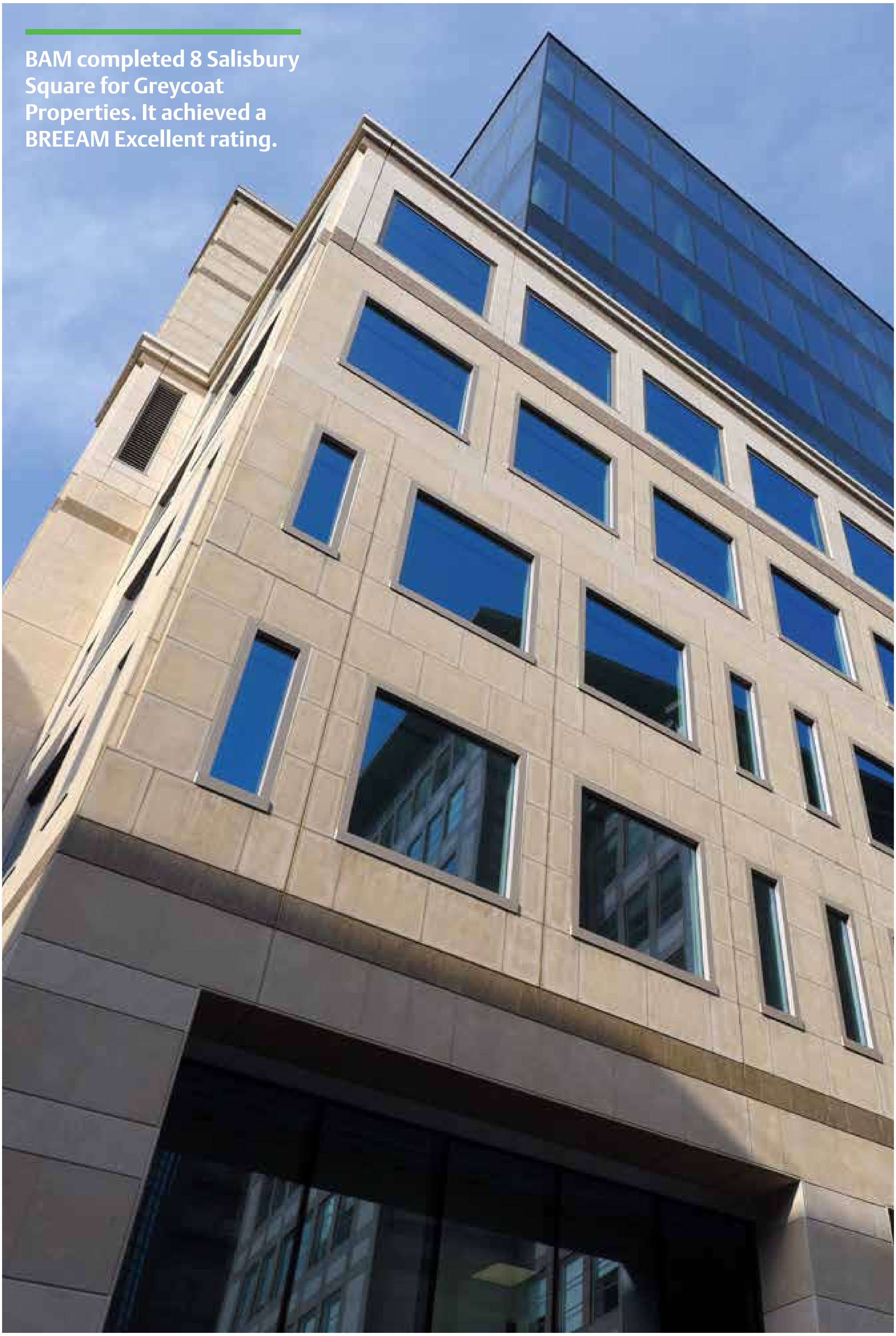
14,410

2017	14,410
2016	15,023
2015	15,068

18
Considerate Constructor Awards

494
apprentices had work experience on our sites in 2017

£437,871
value of cash and in-kind community support



BAM completed 8 Salisbury Square for Greycoat Properties. It achieved a BREEAM Excellent rating.

Chief Executive's foreword

Our collaborative culture impacts positively on the way we deliver to clients.

James Wimpenny
Chief Executive

As I embark on my tenure at Chief Executive, I would like to thank my predecessor, Graham Cash, for steering the company steadily as CEO from 2010 to the end of 2017. In 2017, BAM Construct UK improved its underlying level of profitability, improved its cash balance and trade working capital efficiency and maintained a healthy forward order book.

The largest part of BAM Construct UK's business is construction. Construction is a high risk, low margin business. It requires constant, rigorous, and prudent financial management. We are a stable and steady business and that has benefits for our clients, subcontractors and all who work with us.

My ambition is to continue to maintain our stability and a sound statement of financial position while we grow the company gradually over the next few years. Our growth will be largely through organic expansion of our operations rather than acquisition. Some growth will come from what I see as the potential synergies that can be achieved from better integrating the capabilities in our construction, FM, property development, design, services engineering and plant divisions and by continuing to be at the forefront of digitisation in our industry.

A particular focus in 2018 will be on modernising our business management systems to align with the fact that we are becoming a digital data-driven business.

We continue to pursue the strategic aims of Royal BAM Group's strategy to 2020: 'Building the present, creating the future.'

I am pleased that in 2017 we made further progress on safety and, in particular, on the way we supervise and manage lifting operations. Our goal remains constant: that everyone who works for us and with us returns home safely every evening to their loved ones. It requires creating a mindset where we constantly challenge what we do and how we do it in regard to safety so that it is a constant consideration at the forefront of everyone's mind.

I would like to thank our staff for their hard work in 2017. I believe we are fortunate in the quality of our people and in the positive, collaborative culture we have in BAM Construct UK and that it impacts positively on the way we deliver to customers. This was borne out in all the review interviews conducted in 2017 that we conducted with customers after completing their projects. The interviews in 2017 again confirmed high levels of satisfaction with our staff and clients' willingness to recommend BAM to others. Along with my board, I am committed to maintaining our positive collaborative culture into the future.

Finally I would like to thank our customers, our subcontractors and suppliers for the positive business relationships we enjoy with them.

James Wimpenny
Chief Executive
BAM Construct UK
16 April 2018

Strategic report

The directors present their strategic report for the year ended 31 December 2017 which outlines 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.

Organisational overview

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

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

Value creation

We create value for shareholders and for wider society by creating facilities that support the delivery of essential services for people's lives such as places of education, hospitals, cultural and leisure facilities. Our work also enables other businesses to create value when we build, for example, transport and manufacturing facilities and offices.
We also create value by operating ethically and sustainably, and by creating employment, apprenticeship and training opportunities and by supporting local and national charities. The key features of our sustainability strategy are to work towards being carbon positive and resource positive and to enhance people's lives by creating positive impacts in the communities where we work.

Business performance

Profit and revenue

The profit before tax for the year ended 31 December 2017 for the Group was £19.3m (2016: £26.2m). After taxation, the profit attributable to the shareholder was £15.5m (2016: £21.7m). During the year a dividend of £4.0m was declared and paid (2016: £4.0m) and pension deficit repair contributions of £2.5m were paid (2016: £3.0m).

The Group achieved a revenue of £958m (2016: £1,072m) and a Group operating profit of £18.2m (2016: £25.0m).

Revenue decreased by 10.7% during the year as BAM Construct UK concentrated its efforts on securing value adding projects. Total operating profit showed a steady improvement on the operating 2016 profit (before exceptional items) of 108%. Work in hand decreased slightly during 2017 reflecting our selective tendering strategy, but also the impact of UK

BAM Construction was chosen to build Two Chamberlain Square, the second office building of the Paradise development in Birmingham City.

Simon Box, Senior Site Manager, handed over the keys of the new Damer First School to its head teacher Catherine Smith in March 2017.

Strategic report (continued)

economic uncertainty. The value of our forward order book stands at £1,624m. The board considers this to be a solid basis for growth and improved profitability in the year ahead.

Cash and equivalents

Managing cashflow effectively is a key objective in our business. The cash and short-term deposits continue to show a healthy position at £82.3m (2016: £116.6m). The business continues to generate strong cashflows. A strong and healthy cash balance within the business is of the upmost of importance as it enables future investment. However, BAM Construct UK does not seek to enhance our cash position at the expense of our supply chain and maintains fair payment terms.

Working capital

The position on working capital also improved in 2017. Working capital at year-end was £108.4m (2016: £99.5m).

Shareholder's funds

Shareholders' funds remain consistent with previous years, following the declaration of a dividend of £4m (2016: £4m).

Principal risks and uncertainties

BAM Construct UK Ltd regularly reviews the principal risks and uncertainties within the business, both on a national level and a regional divisional level. When we identify risk, we implement controls and mitigation strategies to reduce their overall potential impact on the business. The current principal risks and uncertainties are identified below along with the controls and mitigation strategies.

1. UK Economy - Brexit impact
2. Variations in market conditions and price competition in our regional markets
3. Loss making projects
4. Insufficient investment in creating future portfolio
5. Health, safety and environmental risks
6. Skills shortage – staff and supply chain

HM Queen Elizabeth officially opened New Scotland Yard, the headquarters of the London Metropolitan Police built by BAM Construction.

Bourne Leisure appointed BAM Construction to undertake a £35.5m refurbishment and restoration of Studley Castle.

Strategic report (continued)

	Risk - description	Controls / Mitigation strategy
1	**UK Economy** There continues to be significant economic uncertainty as the negotiations continue on Britain's withdrawal from the European Union and arrangements after Brexit.	• While the impact of Brexit is still unclear, BAM Construct UK has a flexible operating model that is able to accommodate change. • We maintain positive close relationships with key subcontractors to ensure BAM remains a main contractor of choice. • We seek a balance of public and private sector work and procurement routes to avoid over dependency on any one source of work or procurement method.
2	**Variations in market conditions and price competition in our regional markets** Operating a regional business creates exposure to regional market variations.	• By operating a regionally-organised delivery model, BAM Construct UK is able to calibrate for regional differences within our approval processes. • We participate on a number of regional and national frameworks where sensible margins can be agreed and quality is a factor as well as price. • We focus on seeking work with clients whose values align well with BAM's and aim to secure as much work as possible through negotiation or two-stage tendering.
3	**Loss making projects** Operating on relatively slim contract margins, means we cannot afford to take on contracts that will ultimately deliver significant losses. Dealing with the impacts of loss making projects drains significant resources from the business and the risk that senior management focuses on short term crisis management rather than planning for the long term.	• Royal BAM Group's stagegate approval system used on all tenders, ensures that all risk and opportunities are identified within the tender process. • Focusing on two-stage work and negotiated procurement enable the business to identify and price risk on a realistic basis. • Experienced and knowledgeable staff are involved in the pre-construction period to ensure risks are identified and mitigated or closed-out before construction commences.
4	**Insufficient investment in creating future portfolio** As the business moves towards a more digital environment, it is essential to ensure there are sufficient resources for investment in technology and new ways of working.	• A number of forums internationally, nationally and regionally have been established to identify opportunities for innovation and new ways of working. These opportunities are then risk assed and valued.
5	**Health, safety and environmental risks** The Group's activities are inherently complex and potentially hazardous and require the continuous monitoring and management of health, safety and environmental risks. Failure to meet safety standards or ineffective management of safety requirements could result in the injury or death of employees, members of the public or third parties.	• Implementation of rigorous training programmes, with particular emphasis in 2017 and 2018 on lifting management and supervision. • A visible leadership approach with, for example, senior managers of both the company and our supply chain engaging in Directors' safety tours of sites. • Engaging with staff and supply chain with cultural workshops, safe-to-start meetings, toolbox talks and regular communications through all our channels to ensure a mindset of constant vigilance about safety.
6	**Skills shortage** A lack of professionally qualified and skilled staff both within the company and the supply chain could lead to inefficient working and poor quality, in turn leading to an inability to provide value-adding solutions to our clients.	• BAM Construct UK aims to recruit people with ability at all levels and from all backgrounds. We aim to maintain a culture of open collaboration, where individuals are encouraged to voice new ideas, that helps to keep staff engaged and supports good levels of staff retention. • We work collaboratively and respectfully with our supply chain, treating subcontractors fairly and as project partners, to nurture long term relationships and ensure that BAM Construct UK remains a main contractor of choice.

Strategic report (continued)

Future strategy

BAM Construct UK's principal priority for 2018 is to continue to improve its profitability by operating more efficiently and managing cash effectively.

Along with the other operating companies in Royal BAM Group, we are following a strategy covering the period up to 2020 entitled 'Building the present, creating the future'. The principal component of the strategy is to maintain focus on executing projects effectively and efficiently. This includes being selective about those projects where BAM can perform at its best and deliver a winning performance and where BAM can either compete effectively on scale or by offering differentiating capabilities. The second component of the strategy is to develop BAM's complementary and value-added services to projects where these can create synergy and strengthen BAM's attractiveness as a project partner. The final component of the strategy involves BAM being at the forefront of new digital construction and data management techniques. The development of intelligent data is having a profound effect on the built environment and BAM will innovate and assist clients to use such data to make the most of the way they design, construct and operate their buildings.

BAM Construct UK aims to maintain a balanced portfolio of construction work with commercial, education, and health, as our primary market segments. We also aim to deliver a quarter of our construction work through frameworks, where we can establish strong relationships. Participation on frameworks also supports our overall objective of having a balance of public/and private sector work and avoiding over dependency on any one market segment or procurement route.

BAM Construct UK will continue to focus in 2018 on extending the reach of its FM business into private sector markets and larger projects.

The Group will also seek to extend the scope of its services engineering division, as securing effective M&E services is an expensive and high-risk element in most major construction projects. The Group continues to believe that this sector offers opportunity either by growing our capabilities organically or by acquisition.

BAM Design and BAM Plant (which are divisions within BAM Construction) also have an important role to play in pioneering the application of emerging technologies to construction and design processes through better data management and the use of 3D printing, robotics and prefabrication.

BAM Properties is currently involved in two major commercial property developments and is also exploring opportunities in the student accommodation and private rented sector segments.

BAM Construct UK will focus on remaining attractive to clients by being customer focused, recruiting and retaining talented people, delivering quality, innovating in digitisation, designing and building sustainably, and enhancing lives through engagement with the communities where it operates.

Young BAM a network for colleagues under 35 years of age was formed and selected a 16 person board to run its activities.

BAM ran a social media campaign during National Apprenticeship Week 2017 #NAW2017 about the opportunities we offer.

Strategic report (continued)

Divisional review

BAM Construction

BAM Construction achieved turnover of £903.6m in 2017 (2016: £987.6m). Profit before taxation was £20.8m (2016: £5.3m). At year-end the value of forward orders was £863.3m (2016: £920.9m).

In 2017, BAM Construction completed 34 projects and won 33 new projects. Our goal is to be a high performing business and to form long-term strategic alliances with clients. It was pleasing that 65% of the value of work secured in 2017 - some 21 projects - was repeat business for clients such as the Education and Skills Funding Agency, Manchester Airports Group, Allied London and the University of Central Lancashire.

BAM FM

BAM FM's turnover in 2017 was £51.5m (2016: £53.2m). Loss was £0.2m (2016: profit £0.2m). In 2017 it pursued the goal of increasing its portfolio in the private sector and won contracts with new clients such as Cranfield University and the Royal College of Nursing.

The Group's capacity to provide FM services extends our capabilities across the lifecycle of a building. Understanding how a building is managed and operates in practice informs our understanding of design and construction and clients' requirements.

Having a facilities management division provides the opportunity to nurture longer-term relationships with customers and, through our FM offering, introduce customers to the other services provided by BAM on construction, design and especially our capabilities in building asset data management.

BAM completed Ilfracombe Academy sixteen weeks early.

Cranfield University awarded BAM FM a five year maintenance contract.

BAM Construction won the £20m Dover Leisure Centre. The feedback from the tender process praised BAM's enthusiasm.

BAM Plant and BAM FM worked together to implement robot vacuum cleaners at all our FM sites.

Strategic report (continued)

BAM Properties

In 2017 BAM Properties commenced work on a commercial development at Capital Square in Edinburgh and continued to pursue opportunities to develop a site at Atlantic Square Glasgow which required investment and thus resulted in a loss in the year of £2.0m (2016: profit of £10.4m). The developments are expected to create value in the longer term and are scheduled for completion in 2020.

In line with the risk appetite of our ultimate parent company, Royal BAM Group, a priority for BAM Properties in 2017 was to continue work on divesting the existing assets in its portfolio.

Having a small property development arm adds value to our business as we have a team of colleagues who understand the cycle of the commercial property market and the priorities of developers, investors and occupiers.

In order for BAM Construct UK to offer best value, it operates a number of business units, which help to facilitate best practice, innovation and improved safety standards across the Group. Three of these business units are divisions of BAM Construction:

BAM Design

BAM Design provides support and works collaboratively on winning and delivering projects with BAM Construction, as well as with BAM FM and BAM Properties. Working in our regional offices, and from a base in St Albans, BAM Design also contributes to the development of our digital capabilities.

BAM Properties started the development of Capital Square, Edinburgh, a premier 122,000 sq ft, eight-floor, high-specification office building being built by BAM Construction.

BAM Construction was selected to build Shakespeare School in Leeds and BAM Design is the architect on £10m project.

As part of our involvement in CRASH, five BAM volunteers extended a shop run by Emmaus to help homeless people.

BAM was a headline sponsor of Digital Construction Week in October 2017.

Strategic report (continued)

BAM Services Engineering

BAM Services Engineering creates value for our business and customers by providing a high level of expertise on mechanical and electrical design and installation and works collaboratively with our design, construction and FM teams at the earliest stages of planning a project. It frequently succeeds in designing cost effective options to achieve more value for a client's budget. It also means that M&E services are incorporated in a seamless way into initial design proposals.

Securing the provision of quality M&E services remains one of the riskiest aspects of construction projects and having an in-house division enables BAM to provide the expertise directly but also to quality assure and minimise risk when we procure services from external subcontractors.

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 and complex lifts and installations on sites. Working closely with the Health and Safety, and the Learning and Development departments, BAM Plant offers support and advice to the business on some of the high risk and challenging activities that involve the use of plant and equipment.

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

Tate St Ives opened in October following our work on refurbishment and a new gallery extension.

BAM Plant worked on its first project in Scotland providing 14 site cabins and set-up logistics for our project at Capital Square, Edinburgh.

We completed V&A Dundee, designed by architect Kengo Kuma, and will underatle the interior fit-out in 2018.

BAM Plant celebrated its fifth consecutive year without a reportable accident.

Strategic report (continued)

Corporate responsibility

Ethics and Standards

The board recognises that the ability of BAM Construct UK to generate value relies on harnessing our intellectual, human, social and relationship capital. We aim to do this by being a responsible employer, conducting our business ethically, operating in an environmentally sustainable way and enhancing the lives of people in the communities where we work. The Group maintains a number of robust internal mechanisms to ensure that we conduct our business to high ethical standards.

Employees can raise any concerns about unethical activities through the Group's whistleblowing mechanism or confidential Employee Assistance Helpline.

The prevalence of fraud within the industry continues to be an area of risk for the Group. As a consequence we communicate and work closely with our clients and suppliers to highlight the risk of third party fraud. Ensuring our staff remain vigilant about the risk of fraud is an important mitigation strategy and we encourage them to raise any issues of concern through management channels. We also participate in various forums and particularly with our bank, to share experiences and spread best practice.

People

The board believes that the quality of people employed by BAM and a positive culture in the company is a competitive advantage. The demand for experienced staff in all construction disciplines is buoyant and there is a great deal of churn in the industry generally. Our objective is to encourage employees to develop their careers within BAM as having a cadre of experienced people is an advantage. With this in mind, the company keeps levels of pay and staff benefits under regular review and offers competitive salaries and an attractive range of additional benefits.

In 2017, we launched new BAM Early Careers branding and a BAM Early Careers page on Instagram to help us to attract apprentices and new entrants to the industry.

The company continues to invest in apprenticeships and in training and personal development of all our people. On average each employee received 3.6 days of formal structured training in 2017, such as our management essentials programmes. In 2017 we also developed a series of one day masterclass workshops providing a more in-depth focus on topics such as performance conversations, coaching and meeting skills, supplemented with self-study workbooks. This formal training was supplemented with many informal workshops and knowledge share groups such as a High Rise Working Group where colleagues who are involved in projects to create multi-storey buildings such as at Spinningfields in Manchester and Snow Hill in Birmingham met regularly to discuss the particular challenges of these projects and lessons learned. We also worked on an upgrade of our e-learning portal which will be launched in early 2018.

The board continued to regard employee engagement as an important priority in 2017 and, as usual, staged a series of nine roadshows around the country which were attended in total by more than 1,000 employees. In 2017, we set up Young BAM a self-governing network for colleagues under 35 years of age. The board has allocated a budget to Young BAM to enable it to organise a programme of professional and social networking events around the country. In the autumn of 2017, all employees had the opportunity to participate in a confidential survey of employees in Royal BAM Group about how they felt about working for BAM.

BAM Construct UK directly employed 2,568 people at 31 December 2017.

The Big BAM Induction was a two-day programme about how BAM operates for 28 of the apprentices and graduates who joined BAM last year.

As usual the Board staged nine Roadshows around the country to update staff on progress.

Strategic report (continued)

Working better for health and safety

Our continuing goal is 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.

Our safety management system is accredited by the British Safety Standards Institute to meet OHSAS 18001. In 2017, the British Standards Institute undertook independent audits at five of our locations: our construction divisions in London, Scotland and the Midlands regions, at BAM Plant's depot in Wellingborough and at our central services offices in Hemel Hempstead. All were found to be operating the system effectively.

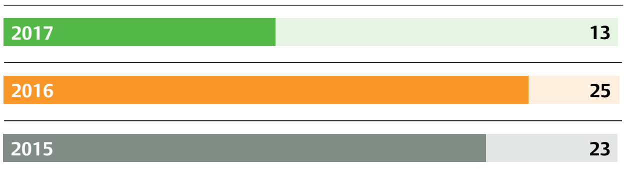
Working towards our goal of an incident free environment requires continuous effort and vigilance. During 2017 we continued to embed a new approach to lifting as it is one of the highest risk activities. There are now a cadre of managers in each construction division that have had training to ensure appropriate levels of competence to manage and supervise lifting operations A visual guide to best practice on lifting techniques was published early in 2017.

Further improvement cannot be achieved without full engagement and collaboration with our supply chain and, for this reason; we continue involve our supply chain in collaborative workshops and training with our construction divisions and site teams. We place particular emphasis on reviewing risk and method statements and holding safe-to-start meetings before all work packages. As usual, our seven construction divisions held annual safety awards and conferences for their supply chains to recognise good safety performance and inspire further improvement.

BAM Construct UK accidents:

Riddor accidents

13



Our National Health and Safety Awards recognised project teams and individuals who displayed an outstanding commitment to safety.

We participated in Royal BAM Group's Worldwide Safety Day on 10 October.

Strategic report (continued)

Visible leadership continued to be a key component of our safety management in 2017 with senior directors undertaking 117 safety tours on our sites.

In May 2017, we held our annual national health and safety awards with categories for best performance in projects under £15m in value, more than £15m in value and awards and commendations recognising outstanding contributions by individual employees.

BAM Construction in London, the Midlands and Western regions received Orders of Distinction from the Royal Society for the prevention of Accidents (RoSPA) during 2017. It is the highest accolade awarded by RoSPA and recognises the achievement of 15 or more consecutive annual Gold Awards. BAMFM and BAM Construction in the Scotland, the North West and South East received RoSPA President's Awards for achieving 10-14 consecutive Gold Awards, while BAM Plant achieved a Gold Award.

Sustainability

During 2017, BAM Construct UK continued to contribute to the development of a sustainability strategy for the whole of Royal BAM Group as part of the strategy 'Building the present, creating the future'. The sustainability aspirations have three strands: being climate positive, being resource positive and enhancing people's lives. For BAM Construct UK this is a natural evolution of our approach with our ultimate goal to have a net positive impact, so we can deliver more value for clients and the communities in which we work.

Collaboration with our supply chain is key to achieving further gains. In 2017 we continued to support the work of the UK Green Building Council and have a seat on the board of the Supply Chain Sustainability School and participate on five of its member groups. BAM was a founder member of the Welsh School which was launched in 2017.

Carbon reduction - towards climate positive

tCO_2e

14,410

2017	14,410
2016	15,023
2015	15,068
2008	29,556

tCO_2e / £m

15.19

2017	15.19
2016	16.52
2015	18.00
2008	27.12

4 Pancras Square, built by BAM, was the second building in the country– to achieve 'outstanding' against the new BREEAM 2014 standard.

We held four workshops with our supply chain about the circular economy, to highlight ways of reusing or repurposing materials at the end of a building's life cycle.

Strategic report (continued)

BAM Construct UK's carbon footprint in 2017 was 14,410 tCO_2e (2016: 15.023 tCO_2e) and 15.19 tCO_2e/£m (2016:16.52 tCO_2e/£m) normalised to turnover. We are currently on track to achieve a 25% reduction in normalised scope 1, 2 and 3 emissions by 2020 measured against a 2015 baseline, having reduced our emissions by 15.6% in 2017. In 2017, the average emissions on projects were 11.5kg CO_2e/£m project value (including our subcontractor emissions), a reduction of 10% on our 2016 performance, and a reduction of 42% since 2008 when our carbon strategy began.

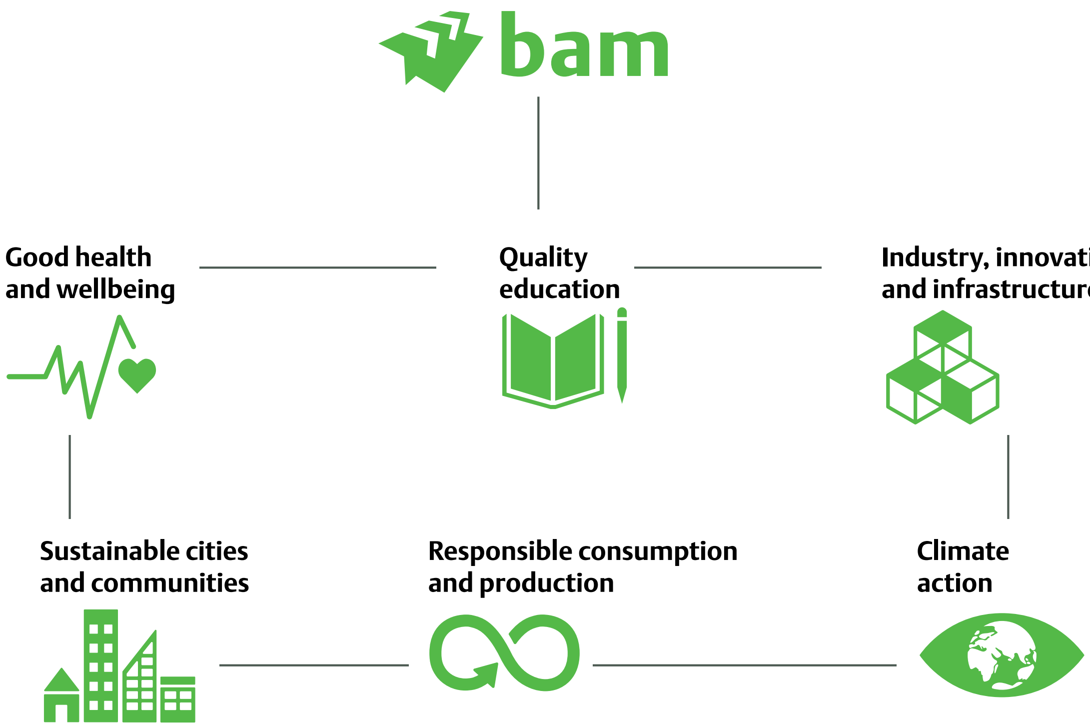
Through our work with clients and our supply chain, the Group's long term aim is to deliver products and services which contribute to wider emissions reductions. This includes developing new assets which are low or zero carbon (or improving existing ones), deploying renewable energy systems or energy reduction measures for our clients, and delivering reductions in lifecycle carbon impact of buildings and infrastructure (through material selection, design and asset management). In 2017 we extended our work on building performance evaluation (BPE) working on training our project teams. For example, we led a collaborative evaluation with the London Metropolitan Police in relation to their new Scotland Yard building which BAM completed in 2016. It involved analysing energy and building systems performance and users feedback. This helped London Metropolitan Police to develop their own BPE protocol and inform their design specifications for future refurbishment projects.

In 2017 BAM Construct UK was recertified to the CEMARS Gold standard.

Waste reduction – towards resource positive

During 2017, we diverted 92% of all construction, demolition and excavation waste from landfill. Overall, we produced 34.35 tonnes of waste per £1m of turnover, a reduction of 15% on our 2015 baseline figure. In 2017, we worked toward further improvement by making greater use of material takeback schemes, using community wood recycling and engaging in more off-site manufacture.

BAM Construct UK used 81m^3 mains water/£1m turnover in 2017 exceeding our target of 90m^3. Also, 99% of the timber used on our sites was from verified legal and sustainable sources.



Strategic report (continued)

Enhancing lives

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.

BAM Construction participates in the Considerate Constructors Scheme (CCS). BAM has consistently achieved higher scores than the industry average in independent audits conducted by CCS assessors. In 2017, BAM's average score was 40/50, compared to the industry average of 36/50. BAM's best score in 2017 was 47/50 at our site at UTC Portsmouth, where we designed and built a 600 student University Technical College for 14-19 year olds interested in STEM subjects specialising in mechanical and electrical engineering and advanced manufacturing. 18 BAM sites were awarded medals at the CCS Annual Awards ceremonies in April and May 2017: two Gold, six Silver and ten Bronze.

More than 80% of our projects have a specific plan to manage community engagement and to offer employment and skills opportunities. In many cases they are a contractual obligation but our teams go beyond the contractual commitments. This is because BAM Construct UK believes that as well as being the right thing to do, these activities, motivate our staff and develop their skills, strengthen our brand and also help to attract new people to the industry.

While we were building No 1 Spinningfields in Manchester, for example, we delivered 14 work experience placements, and supported seven unemployed people into work, while another 99 apprentices and trainees worked and learned through the project. We also held organised engagement activities with schools including 'Bring your child to work day', mentoring for students on the 'Career Ready' programme and 'Spinningfields Skyscraper' a musical composition and performance by primary school children which was performed at the Topping Out ceremony. As part of or community engagement on the project we also managed the refurbishment of a charity office which was a under threat of closure, and housed a homeless charity in our site offices allowing them to deliver their 'Change4Good' programme (and enhancing the lives of 369 people).

During 2017, we estimate that 494 apprentices had experience of working on BAM sites totalling 18,592 days. We recruited 73 graduate trainees. In addition, 149 students and 42 unemployed people had periods of work experience on our sites.

In 2017, we staged 1,046 activities and events with beneficiary organisations and 33,267 people directly benefitted from our community engagement activity to enhance lives.

In 2017 we started a two-year charity partnership with CLIC Sargent, a charity that supports young people and their families when they are undergoing treatment for cancer. The charity was chosen by our staff. Throughout the year our staff, with support from subcontractors, raised £81,500 for the charity through a variety of fundraising events.

BAM Construct UK is a patron of CRASH the construction industry's charity to support homeless people, and staff supported many of its fundraising activities as well as providing professional support on projects to refurbish facilities for homeless people. The value of our contribution in 2017 was assessed by CRASH as £34,480; some £14,500 was generated by our patron contribution and fundraising and the balance was by working on their projects.

BAM staff used their volunteering leave in 2017 to undertake 2,163 volunteering activities during company time that totalled 8,343 hours.

In 2017, the total value of our enhancing lives activity was:

£362,809

Total value of contributions (excluding management costs)

£437,871

Total value of contributions (including management costs)

32,267

Total number of direct beneficiaries

1,046

Total number of events and activities organised with beneficiary organisations

James Wimpenny
Director and Chief Executive
BAM Construct UK Limited
16 April 2018

Directors' report

The Directors present their report and group accounts for the year ended 31 December 2017.

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.

Subsequent events

There have been no material issues that affect the contents of this report since the date of the consolidated statement of financial position.

The directors note that the United Kingdom has now given notice under Article 50 of the Treaty on European Union of its intention to withdraw from the European Union and that discussions on the terms of exit will take place over a two year period. The directors are currently unable to estimate the impacts, if any, on the company's property valuation or the prospects for its business generally. These uncertainties are not reflected in the statement of financial position as at 31 December 2017.

Research and development

Most of BAM's research and development activity is undertaken at individual business unit level as the need arises to develop new options and solutions for particular projects and activities. For example, BAM Plant continuously surveys existing and emerging products to research the best options for plant and materials for our projects. The technical services department also engages in research to solve bespoke problems and advise on the best options and technical solutions for projects undertaking complex tasks. Meanwhile in 2017, a number of business units have begun to use 3D Printing and to employ virtual, mixed and augmented reality.

The principal focus of research and development at the corporate level is on developing digital design, construction and facilities management. BAM currently has an Enterprise Business Agreement with Autodesk to assist us to develop software and systems that enable us to continue to innovate.

Financial Instruments

Refer Note 17 of the financial statements on Director's view on financial instruments and associated risks.

Disabled employees

BAM is an equal opportunities employer and while applicants are asked to describe their gender, ethnicity and whether they consider they have a disability; this information is not shared with colleagues who recruit and assess applicants' aptitudes and suitability for a given role.

Currently less than 1% of BAM Construct UK employees describe themselves as having a disability.

BAM has income continuity policies for people who develop long-term illness and programmes for rehabilitation and assisting people to resume work, including making appropriate adjustments to equipment, working hours, and tasks to enable people who develop a disability to continue with their careers. There are no specific programmes for training, career development and promotion opportunities for employees with disabilities. All employees have access to support and training to develop their careers and suitability for promotion. Our personal development review process facilitates conversations about career development between employees and their line manager.

In 2015 the company developed a vision that by 2020 BAM aims to be a consciously unbiased employer and set up a working party that met regularly throughout 2017 to develop a strategy on strengthening diversity and inclusion in BAM.

Employee involvement

As reported in detail in the Strategic Report (see page 14) BAM engages with employees through a number of channels and activities to ensure that they are aware and consulted about developments in the company including its financial performance. This is achieved via a staff intranet, discussion forums, surveys and face to face communication by the Board through an annual series of roadshows around the country.

There is an annual discretionary staff bonus to reward staff for the achievement of company targets.

Dividends

During the year a dividend of £4.0m was declared and paid (2016: £4.0m).

Directors' report (continued)

Subsidiaries

The principal activities of subsidiary undertakings are shown in Note 26 to the accounts.

Qualifying third party indemnity provisions for directors

The Group's ultimate parent undertaking, Royal BAM Group n.v., 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 2017 and up to the date of the report:

- G Cash - resigned 31 December 2017
- D Keillor
- JWR Wimpenny

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.

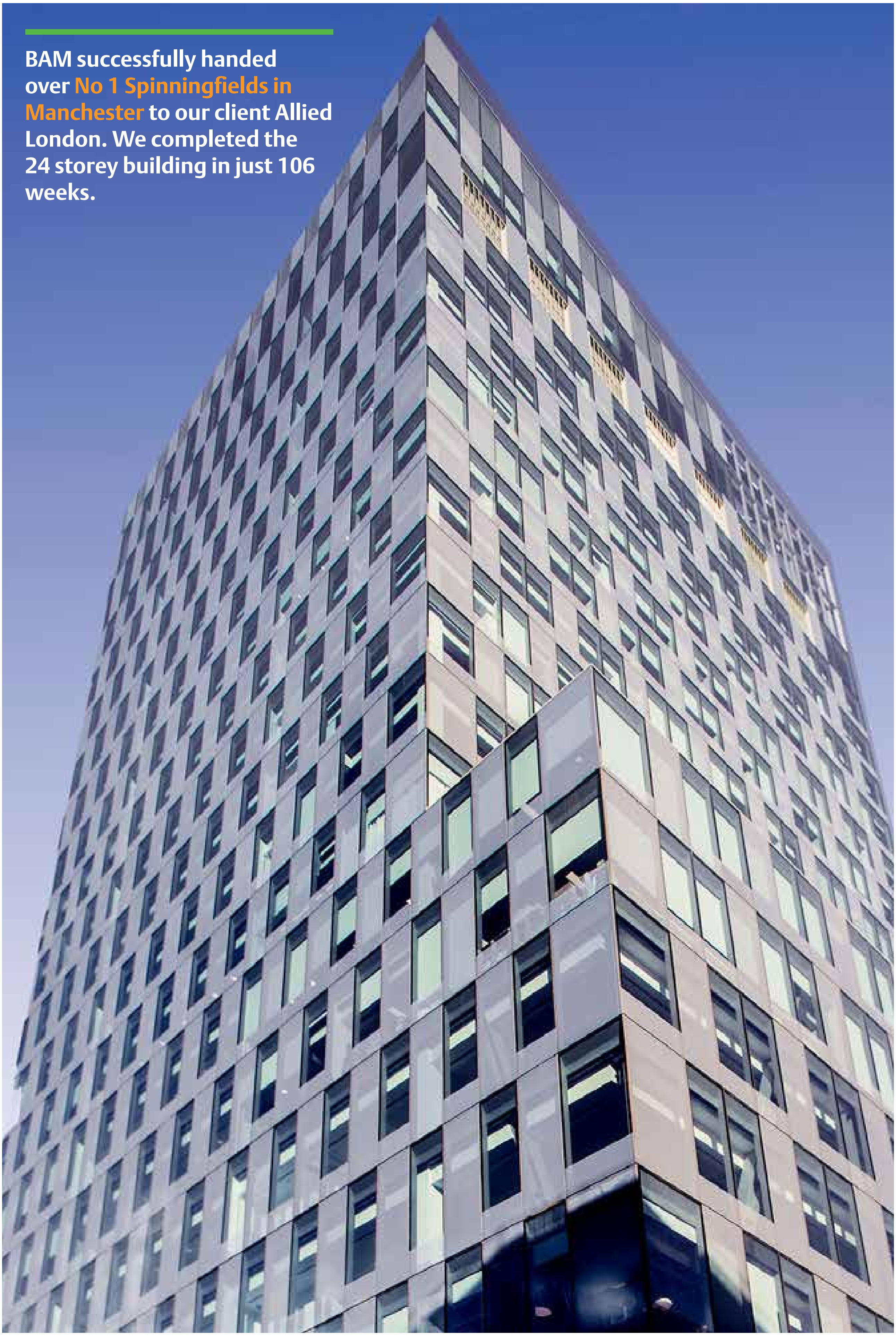
Auditors

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 Group's success to date.

James Wimpenny
Director and Chief Executive
BAM Construct UK Limited
16 April 2018



BAM successfully handed over No 1 Spinningfields in Manchester to our client Allied London. We completed the 24 storey building in just 106 weeks.

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 Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law, and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard (FRS) 101, Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

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

Opinion

We have audited the financial statements of BAM Construct UK Limited ('the parent company') and its subsidiaries ('the group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated cash flow statement and the related Notes 1 to 26 for the consolidated financial statements and Notes 1 to 18 for the company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework', (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- The financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report set out on pages 1-22, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

David Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
20 April 2018

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.

Consolidated statement of comprehensive income

For the year ended 31 December	Notes	2017 £m	2016 £m
Continuing operations			
Revenue	3	**957.5**	1,072.2
Cost of sales		**(898.3)**	(1,013.2)
Gross profit		**59.2**	59.0
Administration and other expenses		**(41.4)**	(46.6)
Exceptional gain delinking final pensionable salary	20	**-**	12.0
Other operating income		**0.4**	0.6
Operating profit	5	**18.2**	25.0
Finance income	9	**1.1**	1.4
Finance costs	10	**-**	(0.2)
Profit before tax from continuing operations		**19.3**	26.2
Income tax expense	11	**(3.8)**	(4.5)
Profit for the year from continuing operations		**15.5**	21.7
Profit for the year		**15.5**	21.7
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Re-measurement losses on defined benefit plans, net of tax		**(6.2)**	(4.7)
Total comprehensive income for the year		**9.3**	17.0
Profit attributable to:			
Equity holders of the Company		**9.3**	17.0
Total comprehensive income attributable to:			
Equity holders of the Company		**9.3**	17.0

Registered number
3311781

Consolidated statement of financial position

At 31 December	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Property, plant and equipment	13	**4.5**	4.7
Intangible assets	14	**0.4**	1.1
Investment in an associate or joint venture	4	**-**	-
Non-current financial assets	15	**14.0**	12.9
Defined benefit pension asset	20	**47.0**	50.7
Deferred tax assets	11	**0.9**	1.1
Total non-current assets		**66.8**	70.5
Current assets			
Inventories		**34.5**	28.9
Trade and other receivables	15	**259.8**	263.0
Amounts due from customers for contract work		**43.3**	54.6
Prepayments and accrued income		**2.5**	2.9
Cash and short-term deposits		**82.3**	116.6
Total current assets		**422.4**	466.0
Total assets		**489.2**	536.5

Consolidated statement of financial position (continued)

At 31 December	Notes	2017 £m	2016 £m
Current liabilities:			
Trade and other payables	17	**261.1**	277.6
Amounts due to customers under construction contracts		**51.3**	88.6
Income tax payable		**1.6**	0.3
Total current liabilities		**314.0**	366.5
Non-current liabilities:			
Trade and other payables	17	**8.7**	8.4
Deferred tax liabilities	11	**8.0**	8.6
Provisions	21	**3.1**	2.9
Total non-current liabilities		**19.8**	19.9
Total liabilities		**333.8**	386.4
Equity			
Share capital	22	**40.0**	40.0
Retained earnings		**115.4**	110.1
Equity attributable to equity holders of the Parent		**155.4**	150.1
Total equity		**155.4**	150.1
Total equity and liabilities		**489.2**	536.5

Approved by the Board on 16 April 2018 and signed on its behalf by:

James Wimpenny
Director and Chief Executive

Registered number
3311781

Consolidated statement of changes in equity

For the year ended 31 December 2017	Notes	Share capital £m	Retained earnings £m	Total £m
		Attributable to the equity holders of the parent		
Balance at 1 January 2016	22	40.0	97.1	**137.1**
Profit for the year		-	21.7	**21.7**
Other comprehensive income for the year, net of income tax		-	(4.7)	**(4.7)**
Total comprehensive income for the year		-	17.0	**17.0**
Payment of dividends	12	-	(4.0)	**(4.0)**
Balance at 31 December 2016	22	40.0	110.1	**150.1**
Profit for the year		-	15.5	**15.5**
Other comprehensive income for the year, net of income tax		-	(6.2)	**(6.2)**
Total comprehensive income for the year		-	9.3	**9.3**
Payment of dividends	12	-	(4.0)	**(4.0)**
Balance at 31 December 2017	22	40.0	115.4	**155.4**

Consolidated cash flow statement

For the year ended 31 December	Notes	2017 £m	2016 £m
Operating activities			
Profit after tax from continuing operations		**15.5**	21.7
Non-cash adjustments to reconcile profit after tax to net cash flows			
Income tax expense recognised in profit or loss	11	**3.8**	4.5
Depreciation and amortisation of non-current assets	13	**2.1**	1.9
Amortisation of intangible assets	14	**0.7**	0.7
Increase in pension assets	20	**(2.5)**	(16.5)
Finance costs	10	**-**	0.2
Finance income	9	**(1.1)**	(1.4)
Working capital adjustments			
Decrease / (increase) in trade and other receivables	15	**49.0**	(58.3)
Decrease in amounts due from customers under construction contracts		**11.3**	24.3
(Increase) / decrease in inventories		**(5.6)**	16.8
Increase in other assets	15	**(46.4)**	(46.0)
(Decrease) / increase in trade and other payables	17	**(17.6)**	48.8
(Decrease) / increase in amounts due to customers under construction contracts		**(37.3)**	56.6
Finance income received		**1.1**	1.4
Finance cost paid		**-**	(0.2)
Income tax paid		**(1.4)**	(1.4)
Net cash (used in) / generated by operating activities		**(28.4)**	53.1
Investing activities			
Purchase of property, plant and equipment	13	**(2.1)**	(3.0)
Proceeds from disposal of property, plant and equipment	13	**0.2**	0.1
Purchase of intangible assets	14	**-**	-
Net cash used in investing activities		**(1.9)**	(2.9)
Cash flows used in financing activities			
Repayment of borrowings	10	**-**	(8.5)
Dividends paid	12	**(4.0)**	(4.0)
Net cash flows used in financing activities		**(4.0)**	(12.5)
Net (decrease) / increase in cash and cash equivalents		**(34.3)**	37.7
Cash and cash equivalents at the beginning of the year		**116.6**	78.9
Cash and cash equivalents at the end of the year		**82.3**	116.6

Notes to the consolidated financial statements

1. Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of the BAM Construct UK Limited Group (the 'Group') for the year ended 31 December 2017 were authorised for issue by the board of directors on 16 April 2018 and the consolidated statement of financial position was signed on the board's behalf by James Wimpenny. The parent company, BAM Construct UK Limited ('the Parent') is incorporated and domiciled in England and Wales.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006.

These consolidated financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£m) except when otherwise indicated.

The consolidated results of BAM Construct UK Limited are also included in the consolidated financial statements of Royal BAM Group n.v., which are available from Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4FL.

The principal accounting policies adopted by the Group are set out in Note 2.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services at the time.

The consolidated financial statements provide comparative information in respect of the previous period.

The accounting policies which follow set out those policies which apply in preparing the consolidated financial statements for the years ended 31 December 2016 and 2017.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote-holders of the investee;
- Rights arising from other contractual arrangements;
- The wider Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.2 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the Parent company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any part-investment retained is recognised at fair value.

2.3 Changes in accounting policy and disclosures

New and amended standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods. The nature of each amendment is described below: Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Annual Improvements Cycle - 2014-2016 Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards and interpretations in issue but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for financial years beginning on or after 1 January 2018, with early application permitted. The Group plans to adopt the new standard on the required effective date. Except for hedge accounting, which is not applicable to the group, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Royal BAM Group has performed a detailed assessment of all three aspects of IFRS 9. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses, resulting in a negative impact on equity. Royal BAM Group has performed an impact assessment and concluded that no significant impact on its statement of financial position and equity occurs. Limited impact is expected for the impairment requirements of IFRS 9, based on analysis of historic data. Further analysis will be performed in the first half of 2018 on client segments on actual occurred losses.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policy and disclosures (continued)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group will implement this standard on the required date.

The Group is in the process of finalising a full contract by contract analysis in 2017 to complete the preparations for the implementation. Guidelines have been adjusted and processes and knowledge of the new standard is in place to guarantee a successful implementation. The Group will use the retrospective method for implementation, which means that the financial statements of 2018 will contain comparative figures over 2017 based on IFRS 15.

The impact on the consolidated income statement over the year 2017 is to be finalised since the analysis of the contract positions as per 31 December 2017 needs to be completed, together with some specific areas identified as part of the transition process and pending discussions at IFRIC. The Group will complete the analysis after the release of the Annual financial statements.

Specific areas of attention are the following:

- In general the activities of the Group qualify for recognition of revenue over time in line with the current accounting.
- Under IFRS 15 a variable consideration is only recognised to the extent that it is highly probable that no significant reversal of revenue will occur. The valuation threshold therefore increases from 'more likely than not' to 'highly probable'. This means that certain valuations of claims and variation orders, which are currently valued based on the probable criterion under IAS 11, may not qualify in full for recognition under IFRS 15. The assessment of this effect is currently still in progress and may have a negative impact on equity upon transition.

Several discussions are taking place at IFRIC which may affect the Group:

- Onerous contracts: IFRIC is discussing the measurement of provisions for onerous contracts, as the specific guidance under IAS 11 no longer applies. Two options are allowed: using incremental cost or integral cost. The Group monitors these discussions, but has taken the position that it will continue to apply its current approach based on the assessment of integral contract costs versus total contract revenues. Related to onerous contracts, the Group investigates the interaction between loss making performance obligations and profitable performance obligations within one contract.
- Land and buildings: IFRIC is discussing whether land and buildings need to be classified as separate performance obligations. The outcome of this discussion will be relevant to the Group. Although such separation may affect the accounting for individual transactions, it is not expected to have a material effect on the Group.

The overall contract profitability is not affected as the IFRS 15 impact is in particular a matter of timing. The overall impact on equity cannot yet be reliably quantified, also considering the pending issues at IFRIC.

IFRS 16, 'Leases' was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments).

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policy and disclosures (continued)

The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of –use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

The following standards and interpretations also have an effective date after the date of the financial statements. The Group plans to adopt them from the effective dates adopted by the EU and does not forsee any material impact.

Standard or interpretation	**Effective for accounting periods beginning on or after**
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
IFRS 2 Classification and Measurement of Share-based Payment Transactions Amendments to IFRS 2	1 January 2018
IFRS 17 Insurance Contracts	1 January 2021
Transfers of Investment Property — Amendments to IAS 40	1 January 2018
Annual Improvements 2014-2016 Cycle (issued in December 2016): These include	1 January 2018
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	
- IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019

2.4 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. An indication of the effect of changes in assumptions, such as the discount rate used and member life expectancy is disclosed in note 20, together with the financial impact of the salary delinking exercise concluded in 2016.

Operating lease commitments

The Group has entered into commercial leases as lessee, obtaining the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.4 Judgements and key sources of estimation uncertainty (continued)

Revenue Recognition

Contract Revenue and costs

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and costs are recognised over the period of the contract by reference to the stage of completion using the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

In determining the stage of completion the Group has efficient, co-ordinated systems for cost estimating, forecasting and revenue and costs reporting. The system also requires a consistent judgment (forecast) of the final outcome of the project, including variance analyses of divergences compared with earlier assessment dates. Estimates are an inherent part of this assessment and actual future outcome may deviate from the estimated outcome, specifically for major and complex construction contracts. However, historical experience has also shown that estimates are, on the whole, sufficiently reliable.

Claims Receivable

In the normal course of business the Group recognises amounts receivable in connection with claims for completed work due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Project related claims on principals are recognised when it is probable that the claim amount will be received. Insurance claims can be recognised only if it is virtually certain that the amount recognised will be received.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 11.

2.5 Significant accounting policies

a) Presentation

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the date of the statement of financial position. All differences are taken to the income statement.

b) Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. The net contract position as per period end is included on the statement of financial position.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- Total contract revenue can be measured reliably;
- It is probable that the economic benefits associated with the contract will flow to the Group;
- Both the contract costs to complete and the stage of contract completion at the end of the reporting period can be measured reliably; and
- The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

The Group uses the 'percentage-of-completion method', to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

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

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

A variation order is an instruction by the customer for a change in the scope of a project to be performed under the contract. Regarding variation orders the following basis for valuation is applied:

- it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and
- the amount of revenue can be reliably measured.

In the normal course of business the Group recognises amounts receivable in connection with claims for (un)completed work due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Project related claims on the principal are recognised when:

- Negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and
- The amount that is probable will be accepted by the customer can be measured reliably.

In some markets, given local circumstances and practices with our principals, historic data on receiving comparable claims is also taken into account when assessing the probability of receiving a claim.

Insurance claims can be recognised only if it is virtually certain that the amount recognised will be reimbursed.

Property development

The Group develops property, which it sells in the ordinary course of business and has entered into contracts to sell certain of these properties on completion of construction. The Group has concluded that these pre-completion contracts were not, in substance, construction contracts.

Sale of property developments are recognised in respect of contracts exchanged during the year, provided that no material conditions remain outstanding on the date of the statement of financial position and all conditions are fully satisfied by the date on which the contract is signed. Construction and other expenditure attributable to such property are included in inventory property development until disposal. Rental income from incidental operations in connection with property development is recognised in the income statement on an accruals basis.

Known and expected losses are recognised as an expense immediately 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 reporting period including additions in the period and any residual commitments.

When the buyer is able to specify the major structural elements of the design of property development before construction begins and/or specify major structural changes once construction is in progress (whether it exercises that ability or not), revenue is recognised in accordance with construction contracts.

When the Group transfers control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses to the buyer, revenue is recognised in accordance with construction contracts. This may be the case in house-building projects as from the moment that the land and buildings, if any, have been legally transferred to the buyer.

Rental income

Rental income includes, among other items, rental income under an operating lease and (sub)lease of property, plant and equipment. When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis. Similarly any lease incentive granted to a lessee is recognised over the term of the lease on a straight-line basis.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

FM revenue

Under the terms of IFRIC 12 'Service concession arrangements' comprise construction and/or upgrade activities, as well as operating and maintenance activities. The consideration (concession payments) received is allocated between construction/upgrade activities and operating/maintenance services according to the relative fair values of the respective activities.

Revenue from construction and/or upgrade activities is recognised in conformity with the revenue recognition principles of construction contracts (IAS 11). Revenue from operating and maintenance activities is recognised in conformity with revenue from services (IAS 18).

The financial assets relating to service concession arrangements ('PPP receivables') are subsequently measured at amortised cost. Interest is calculated using the effective interest method and is recognised in the income statement as 'finance income'.

When the outcome of a FM contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and costs are recognised over the period of the contract by reference to the stage of completion using the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Finance income

Finance income is recorded using the effective interest rate. The effective finance income rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

c) Joint arrangements

Investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations. Joint ventures are joint arrangements whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint venture. The parties to the arrangement have agreed contractually that control is shared and decisions regarding relevant activities require unanimous consent of the parties which have joint control of the joint venture.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

d) Tangible fixed assets

All plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

- Leased property fixtures and fittings – over shorter of full lease term or expected useful economic life
- Plant, machinery and vehicles – over 1 to 12 years
- Office fixtures and equipment – over 5 to 10 years

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement in the period of de-recognition.

e) Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The intangible assest comprises non-integrated software. The initial cost is capitised and then amortised over three years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

f) Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost in the income statement.

g) Leases

Group as a lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the full lease term.

Group as a lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

h) Financial Instruments

1) Financial assets

Initial recognition and measurement

The Group's financial assets include cash and short-term deposits and trade and other receivables. All financial assets are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

Subsequent measurement

The subsequent measurement of financial assets is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Further disclosures relating to impairment of financial assets are also provided in Note 18, Financial assets and liabilities.

2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities is as follows:

De-recognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials and consumables - purchase cost on a first-in, first-out basis
- Land and property developments - The Group capitalises interest on specific finance raised once development commences and until practical completion, based on the total actual finance cost incurred on the borrowings during the year. When properties are acquired for future redevelopment, interest on borrowings is expensed to the profit and loss account. When redevelopment commences interest on borrowings is capitalised as above. The cumulative amount of interest capitalised in the land and developments relating to assets included in work in progress at the date of the statement of financial position is £2.8m (2016: £2.8m).

Net realisable value is based on estimated selling price in the ordinary course of business, less any further costs expected to be incurred to completion and disposal.

j) Trade and other debtors

Trade receivables and other debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost by discounting the relevant cash flows. Amortisation is included in finance revenue in the income statement.

Provision for impairment is made through profit or loss when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

k) Cash at bank and in hand

Cash and short term deposits in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

l) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, but only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the date of the statement of financial position.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

m) Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

n) Pensions and other post-employment benefits

The Group participates in two multi-employer defined benefit pension plans that required contributions to be held in separate trustee administered funds. These schemes were closed to new members from August 2004 at which time membership of a defined contribution plan has been available. From October 2010 both defined benefit pension plans were closed to future accruals or contributions from their existing members and from 2016 the link to final salary for calculating benefits due to these members was removed.

The cost of providing benefits under the now closed defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net finance income is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, effect of the asset ceiling and return on net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the statement of financial position 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), 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 restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

The Group also participates in several defined benefit pension schemes under 'TUPE' arrangements that relate to historic staff transfers, where they were members of either the 'Local Government Pension Scheme (LGPS)' or the 'Federated Pension Plan (FPP)', collectively referred to as 'TUPE Schemes'. These schemes are multi-employer schemes where the Group Company's UK parent has 'Admitted Body' status as a sponsoring employer with minority participation. 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 reliable and consistent basis. The information available from the respective scheme Actuaries relates to the overall scheme valuations rather than the relevant Group Company's participation as an Admitted Body. The Group accounts for these non-disaggregated schemes as defined contribution schemes.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

An analysis of pension arrangements is provided in Note 20.

o) Research and development

Research and development costs, which predominatley relate to projects, are considered to be part of contract costs. Other research and development costs are charged to the income statement as incurred.

Notes to the consolidated financial statements (continued)

3. Revenue

Revenue recognised in the statement of comprehensive income is analysed as follows:

	2017 **£m**	2016 £m
Construction contracts revenue	**905.7**	986.7
Facilities Management services revenue	**51.5**	53.2
Rental income	**0.3**	0.9
Properties sales	**-**	31.4
Revenue from continuing operations	**957.5**	1,072.2

The following information relates to all construction contracts in progress at the statement of financial position date.

	2017 **£m**	2016 £m
Aggregate amount of costs incurred and recognised profits (less losses) to date	**2,036.5**	1,836.3
Retention asset	**45.2**	43.1
Advances received	**4.7**	11.7

Retention assets are included in trade receivables. Advances are presented as part of Amounts due to customers for contract work.

4. Joint venture

A part of the Group's activities is carried out in joint arrangements classified as joint ventures. These arrangements remain in place until a project is finished. In practice, the duration of the majority of the joint venture is limited to a period of between 1 and 4 years, with the exception of joint venture in connection with land and building rights held for strategic purposes.

The Group has a 50% interest in BAM Connislow Limited (joint venture) and a 33% interest in Discovery Quay Development Limited (associate).

The Group's share of the balance sheets of the joint venture is indicated below:

	2017 **£m**	2016 £m
Assets		
Non-current assets	**-**	-
Current assets	**0.6**	1.2
	0.6	1.2
Liabilities		
Non-current liabilities	**-**	-
Current liabilities	**(0.6)**	(1.2)
	(0.6)	(1.2)
Net balance	**-**	-

Notes to the consolidated financial statements (continued)

4. Joint venture (continued)

Aggregate information of joint ventures that are not individually material:

	2017 £m	2016 £m
Group share of profit	**-**	-
Group share of other comprehensive income	**-**	-
Group share of total comprehensive income	**-**	-

The Group has no contingent liabilities or capital commitments under joint ventures. Transfers of funds and / or other assets are made in consultation with the partners of the joint ventures.

The Group's share of the profit of the associate is £nil (2016: £nil) and this is considered immaterial to the BAM Construct UK Group.

The Group has no contingent liabilities or capital commitments under associates. Transfers of funds and / or other assets are made in consultation with the partners of the associates.

5. Operating profit

	2017 £m	2016 £m
This is stated after charging:		
Depreciation of owned assets	**1.9**	1.9
Amortisation of intangible assets	**0.7**	0.7
Operating lease rentals - land and building	**3.3**	3.3
- plant and vehicles	**1.4**	1.4

6. Auditor's remuneration

	2017 £000	2016 £000
Audit of Group's consolidated financial statements	**83**	89
Audit of Parent Company's financial statements	**72**	77
Audit of Parent Company's subsidiaries	**264**	284
Total audit	**419**	450
Other assurance services (non-audit)	**8**	40
Total fees paid by the Group	**427**	490

Fees paid to the Group's auditor, Ernst & Young LLP, include services other than the statutory audit of the Group, Parent Company and subsidiaries. These non-audit fees are shown separately on a consolidated basis.

7. Capital management

For the purpose of the Group's capital management, capital includes issued share capital and all other equity reserves attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of financial covenants operating on loan facilities held by the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the immediate parent or return capital to shareholders. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, less cash and short-term deposits, excluding discontinued operations. In prior years net debt also included interest bearing loans and borrowings.

Notes to the consolidated financial statements (continued)

7. Capital management (continued)

	2017 £m	2016 £m
Trade and other payables (Note 17)	**93.6**	102.0
Less: cash and short-term deposits	**(82.3)**	(116.6)
Net deficit / (surplus)	**11.3**	(14.6)
Shareholders' equity	**155.4**	150.1
Capital and net debt	**166.7**	135.5
Gearing ratio %	**6.8**	(10.8)

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loan facilities and borrowings that define capital structure requirements that existed in previous years. Breaches in meeting the financial covenants would permit the bank to immediately call in loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

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

8. Staff costs and directors' remuneration

All staff costs and directors' remuneration costs for the Group were met by the Parent Company, BAM Construct UK Limited.

	2017 £m	2016 £m
Staff costs		
Short-term employee benefits	**111.8**	103.5
Social security charges incurred by the employer	**11.6**	11.1
Retirement benefits	**10.5**	10.1
Termination benefits paid	**-**	0.4
Total staff costs incurred	**133.9**	125.1

The average number of persons employed by the Group during the year including directors, was as follows:

	2017 No.	2016 No.
Staff	**1,663**	1,652
Operatives	**634**	663
	2,297	2,315

Key management of the Group represents the directors appointed to the board of the Parent Company who perform services in one or more of the operating companies in the Group. Their costs along with those of other members of staff may be subject to recharge as part of an administration fee levied on these entities.

Notes to the consolidated financial statements (continued)

8. Staff costs and directors' remuneration (continued)

	2017 £000	2016 £000
Directors' remuneration		
Short-term employee benefits	**1,184**	1,023
Social security charges incurred by the employer	**110**	99
Retirement benefits	**-**	15
Termination benefits paid	**-**	133
Total compensation paid	**1,294**	1,270

The highest paid director received total emoluments (including benefits but excluding social security charges levied on the employer) of £501,000 in 2017 (2016: £441,000).

9. Finance income

	2017 £m	2016 £m
Bank interest receivable	**0.2**	0.9
Interest receivable from wider group undertakings	**0.9**	0.5
	1.1	1.4

Interest receivable from wider Group undertakings relates to outstanding loans made to subsidiaries in the wider Royal BAM Group n.v..

10. Finance cost

	2017 £m	2016 £m
Interest and fees payable to banks	**-**	0.2
	-	**0.2**

11. Income tax

a) Income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	2017 £m	2016 £m
Current income tax:		
Current income tax charge	**3.0**	2.0
Adjustments in respect of current income tax of previous year	**0.1**	0.6
Current tax charge	**3.1**	2.6
Deferred tax:		
Relating to origination and reversal of temporary differences	**0.7**	1.9
Total deferred tax	**0.7**	1.9
Income tax expense reported in the profit or loss	**3.8**	4.5

Notes to the consolidated financial statements (continued)

11. Income tax (continued)

Deferred tax relating to items recognised in other comprehensive income during the year:		
Net gain on re-measurement gains and losses on defined benefit plans	**(1.3)**	(0.2)
Income tax recognised in other comprehensive income	**(1.3)**	(0.2)

b) Reconciliation of the total tax charge

The tax rate charged on profits on ordinary activities for 2017 is lower (2016: lower) than the statutory corporation tax rate enacted in the UK. The corporation tax rate of 19.25% for 2017 (2016: 20%) is derived as a pro-rata figure due to the change in statutory corporation tax rates enacted for the fiscal year (April to March).

	2017 £m	2016 £m
Accounting profit before tax	**19.2**	26.2
Profit on ordinary activities multiplied by UK Corporation tax rate of 19.25% (2016: 20%)	**3.7**	5.2
Adjustments in respect of current income tax of previous years	**0.1**	-
Income not taxable for tax purposes	**0.1**	-
Effect of changes in tax rate	**(0.1)**	(0.7)
Income tax expense reported in the statement of profit or loss	**3.8**	4.5

c) Factors that may affect future tax charges

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. Any deferred tax expected to reverse in these years has been re-measured using these rates as appropriate.

d) Deferred tax

The deferred tax included in the consolidated statement of financial position relates to the following:

	2017 £m	2016 £m
Deferred tax asset		
Balance at 1 January	**1.1**	1.2
Tax (expense) recognised in the profit and loss	**(0.2)**	(0.1)
Balance at 31 December	**0.9**	1.1

A deferred tax asset in respect of depreciation in advance of capital allowance relief has been recognised in the accounts on the grounds that there will be suitable taxable profits within the tax group. Based on all available evidence management believe this will allow for the future reversal of the underlying temporary differences.

Deferred tax liability		
Balance at 1 January	**(8.6)**	(7.0)
Tax (expense) recognised in the profit and loss	**(0.7)**	(1.8)
Tax income recognised in the OCI	**1.3**	0.2
Balance at 31 December	**(8.0)**	(8.6)

The deferred tax liability is in respect of the Group's defined benefit pension liabilities.

12. Dividends paid and proposed

Dividends declared and paid during the year amounted to £4.0m (2016: £4.0m).

Notes to the consolidated financial statements (continued)

13. Tangible fixed assets

	Short leasehold property £m	Plant, machinery and vehicles £m	Fixtures and office equipment £m	**Total £m**
Cost				
Balance at 1 January 2016	1.1	11.4	9.7	**22.2**
Additions	-	2.2	0.8	**3.0**
Disposals	-	(1.2)	(0.2)	**(1.4)**
Balance at 31 December 2016	1.1	12.4	10.3	**23.8**
Additions	-	1.2	0.9	**2.1**
Disposals	-	(1.4)	-	**(1.4)**
Balance at 31 December 2017	1.1	12.2	11.2	**24.5**
Depreciation				
Balance at 1 January 2016	1.0	9.0	8.5	**18.5**
Charge for the year	-	1.2	0.7	**1.9**
Disposals	-	(1.1)	(0.2)	**(1.3)**
Balance at 31 December 2016	1.0	9.1	9.0	**19.1**
Charge for the year	0.1	1.3	0.7	**2.1**
Disposals	-	(1.2)	-	**(1.2)**
Balance at 31 December 2017	1.1	9.2	9.7	**20.0**
Net book value				
At 1 January 2016	0.1	2.4	1.2	**3.7**
At 31 December 2016	0.1	3.3	1.3	**4.7**
At 31 December 2017	-	3.0	1.5	**4.5**

Vehicles are being renewed under operating leases that typically run for no more than 4 years.

Plant and machinery include assets with a net book value of £0.2m (2016: £0.3m) which are hired out to third parties under operating lease arrangements. These assets are depreciated over the expected useful lives at rates between 8.33% and 50% per annum. These assets have accumulated depreciation of £0.2m (2016: £0.9m).

The gross carrying value of fully depreciated property, plant and equipment still in use at the date of the consolidated statement of financial position is £13.6m (2016: £12.9m)

Notes to the consolidated financial statements (continued)

14. Intangible assets

	Software costs £m	**Total £m**
Cost		
Balance at 1 January 2016	3.6	**3.6**
Balance at 31 December 2016	3.6	**3.6**
Balance at 31 December 2017	3.6	**3.6**
Amortisation and impairment		
Balance at 1 January 2016	1.8	**1.8**
Charge for the year	0.7	**0.7**
Balance at 31 December 2016	2.5	**2.5**
Charge for the year	0.7	**0.7**
Balance at 31 December 2017	3.2	**3.2**
Carrying value		
At 1 January 2016	1.8	**1.8**
At 31 December 2016	1.1	**1.1**
At 31 December 2017	0.4	**0.4**

15. Trade and other receivables

	2017 £m	2016 £m
Current		
Trade receivables	**40.8**	91.1
Retentions	**30.7**	30.5
Amounts due from ultimate parent	**185.8**	139.0
Amounts due from other group undertakings	**1.2**	1.0
Other debtors	**1.3**	1.4
	259.8	263.0
Non-current		
Retentions	**14.0**	12.9
	14.0	12.9

	2017 £m	2016 £m
Allowance for doubtful debts		
Balance at 1 January	**0.9**	0.2
Change for year	**0.6**	0.7
Utilised	**(0.1)**	-
Balance at 31 December	**1.4**	0.9
Current	**1.4**	0.9
Non-current	**-**	**-**

Notes to the consolidated financial statements (continued)

15. Trade and other receivables (continued)

	2017 £m	2016 £m
Aged analysis of trade receivables		
Not past due	**32.8**	81.8
60 - 90 days	**3.7**	4.6
90 - 120 days	**0.8**	1.5
Over 120 days	**3.5**	3.2
	40.8	91.1

Customer credit risk is managed by each business in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on credit rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

16. Cash and short-term deposits

	2017 £m	2016 £m
Cash at banks and on hand	**82.3**	116.6
	82.3	116.6

£3.1m (2016: £3.0m) of cash at bank and on hand is not available to be utilised without joint agreement with third parties.

17. Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	**78.8**	85.9
Accrued costs completed projects	**26.6**	31.6
Accrued costs work in progress	**131.9**	125.6
Other creditors	**14.8**	16.1
Accruals and deferred income	**9.0**	18.4
	261.1	277.6
Non-current		
Retentions	**8.7**	8.4
	8.7	8.4

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

Notes to the consolidated financial statements (continued)

18. Financial assets and liabilities

Managing financial risk is an integral part of the Group's conduct of business. Stringent policies designed to identify, manage, and mitigate both existing and new risks apply at various levels of management throughout BAM Construct UK's business units.

a) Credit risk

The Group is exposed to potential credit risk on financial instruments such as liquid assets and trade receivables. BAM Construct UK manages credit risk by placing its investments in liquid assets with high quality financial institutions. In line with normal business practice, the Group operates credit management procedures and regularly reviews credit rating information regarding organisations to which the Group considers extending credit arrangements.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 15.

The Group's top 10 customers owed it £23.1m (2016: £49.4m) and this constitutes 57% (2016: 54%) of trade receivables total.

b) Liquidity risk

Liquidity risk and cashflow are actively managed through regular preparation and monitoring of plans, budgets and quarterly forecasts. Cash flow risk is mitigated through the operation of appropriate invoicing and payment cycle terms contained within each contract.

c) Price and value risk

Price and value risk is monitored constantly at Group level as part of the review of management forecasts and at contract and project level as part of the appraisal process. Price risk is further mitigated by benchmarking selected activity within each contract. Benchmarking is principally undertaken at the start of every significant contract, with adjustments made to selected activity pricing to reflect current market value.

The Group finances projects through a combination of bank funds and operating leases, cash and short-term deposits. New projects are evaluated with regard to these financing arrangements. Live projects are monitored continuously with regular forecasting, to identify any deviation early and ensure managers take corrective action, thus minimising financial risk. This ensures that any observable evidence of impairment for loss-making contracts can be identified as early as possible. No significant uncovered risks were identified for the period presented in this report, or at the time this report was approved by directors.

The Group's principal financial liabilities comprise trade and other payables and amounts due to customers under construction contracts. The main purpose of these financial liabilities is as a consequence of its operations within a traditional Construction business. The Group's principal financial assets include trade and other payables, deferred tax and provisions that arrive directly from its operations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2017	Carrying amount	<1 year	1-5 years	>5 years
Trade and other payables	102.3	93.6	8.7	-
	102.3	93.6	8.7	-

Year ended 31 December 2016	Carrying amount	<1 year	1-5 years	>5 years
Trade and other payables	110.7	102.3	8.4	-
	110.7	102.3	8.4	-

Fair values of financial assets and liabilities

There are no material differences between the book values and fair values for any of the Group's financial instruments carried at amortised cost.

Notes to the consolidated financial statements (continued)

19. Obligations under leases and hire purchase agreements

a) Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have an average duration of between 4 and 10 years. Only certain of the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Future minimum rentals payable		
Within one year	5.0	4.8
After one year but not more than five years	11.7	12.7
After five years	3.9	5.5
	20.6	23.0

b) Operating lease agreements where the Group is lessor

The Group has entered into operating leases on its trading property portfolio consisting of certain office premises and also equipment supplied under facilities management contracts. These leases have terms of between 1 and 10 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The total rents recognised as income during the year is £0.1m (2016: £0.1m).

Future minimum rentals receivable under non-cancellable operating leases is analysed as follows:

	2017 £m	2016 £m
Future minimum rentals receivable		
Within one year	0.1	0.1
After one year but not more than five years	-	0.1
After five years	-	-
	0.1	0.2

Notes to the consolidated financial statements (continued)

20. Pensions and other post-employment benefit plans

The Group participates in two multi-employer defined benefit pension scheme plans that required contributions to be held in separate trustee administered funds. The two schemes are sponsored by BAM Construct UK Limited and are named 'HBG UK Scheme' and 'HBG GA Scheme'. These schemes were closed to new members from August 2004 at which time membership of a defined contribution plan has been available. From October 2010 both defined benefit pension plans were closed to future accruals or contributions from their existing members and in 2016 the two defined benefit schemes were delinked of pension benefits to a member's salary.

Memorandum of Understanding

As part of the Company's ongoing commitment to the two defined benefit pension schemes, the Company has worked with the respective pension trustees to agree a memorandum of understanding ('MOU'). In broad terms the MOU sets out the principles by which the Company and Trustees will work together to achieve the agreed, long term objectives of the two schemes. The schemes objectives are:

- HBG UK Scheme - reach a 'self-sufficiency' funding level by December 2030
- HBG GA Scheme - a 'buy out' funding target by 31 December 2027

Both Company and Trustees understand that the investment strategy and Company discretionary funding need to be aligned in order to achieve the mutually beneficial objectives, which is what the MOU tries to address. Both parties also acknowledge that due to the long term nature of their funding, things may change as the economy goes through a number of cycles.

The pension contributions made by the Group to the two defined benefit pension plans in the year are shown below:

HBG UK / HBG GA Schemes	2017 £m	2016 £m
Ordinary contributions	**0.7**	0.7
Special contributions	**2.5**	3.0
	3.2	3.7

The most recent actuarial triennial valuations of plan assets and the present value of the defined benefit obligation were carried out by the following:

- HBG UK Scheme - Punter Southall (March 2016)
- HBG GA Scheme - Mercer Limited (November 2015)

Both defined benefit pension plans are required to have a triennial actuarial valuation as of 31 December 2017.
The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows.

HBG UK / HBG GA Schemes	31 December 2017	31 December 2016
Discount rate(s)	2.5%	2.8%
Expected rate(s) of salary increase	3.6%	3.6%
Pension growth rate	2.20 - 3.30%	2.20-3.60%

The expense for the year is included in the employee benefits expense in the consolidated statement of comprehensive income. Of the expense for the year, £0.8m (2016: £0.8m) has been included in the consolidated statement of comprehensive income as cost of sales and the remainder in administration expenses.

Notes to the consolidated financial statements (continued)

20. Pensions and other post-employment benefit plans (continued)

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

HBG UK / HBG GA Schemes	2017 £m	2016 £m
Net finance income	**1.5**	1.8
Administration expenses	**(0.8)**	(0.8)
	0.7	1.0

Amounts recognised in other comprehensive income:

	2017 £m	2016 £m
HBG UK Scheme		
Return on plan assets (excluding amounts included in net interest expense)	**(15.8)**	(70.8)
Actuarial loss / (gain) arising from changes in demographic assumptions	**-**	-
Actuarial loss / (gain) arising from changes in financial assumptions	**22.0**	75.3
Actuarial (gain) arising from experience adjustments	**0.9**	2.2
Total remeasurements recognised in other comprehensive loss	**7.1**	6.7
Tax effect	**(1.2)**	(0.5)
Other comprehensive loss (net of tax)	**5.9**	6.2
HBG GA Scheme		
Return on plan assets (excluding amounts included in net interest expense)	**(4.7)**	(23.1)
Actuarial loss / (gain) arising from changes in demographic assumptions	**-**	-
Actuarial loss / (gain) arising from changes in financial assumptions	**5.1**	21.3
Actuarial (gain) arising from experience adjustments	**-**	-
Total remeasurements recognised in other comprehensive income	**0.4**	**(1.8)**
Tax effect	**(0.1)**	0.3
Other comprehensive loss / (income) (net of tax)	**0.3**	(1.5)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2017 £m	2016 £m
Present value of funded defined benefit obligation	**(471.1)**	(456.9)
Fair value of plan assets	**518.1**	507.6
	47.0	50.7

Notes to the consolidated financial statements (continued)

20. Pensions and other post-employment benefit plans (continued)

Movements in the present value of the defined benefit obligation in the current year were as follows:

HBG UK / HBG GA Schemes	2017 £m	2016 £m
Opening defined benefit obligation	**456.9**	370.3
Past service gain	**-**	(12.0)
Interest cost	**12.4**	14.0
Actuarial loss	**28.0**	98.8
Benefits paid	**(26.2)**	(14.2)
Closing defined benefit obligation	**471.1**	456.9

Through its defined benefit plans the Group is exposed to a number of risks, the most significant of which are the following:

Asset volatility: The plan liabilities are calculated using a discount rate with reference to corporate bond yield; if the plans' assets underperform this yield, this will create a deficit.

Changes in bond yields: A decrease in corporate bond yields will increase the plans' liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Salary growth: The plan liabilities are calculated based on the salaries of the plans' participants. The de-linking of pension benefits to a member salaries completed in 2016, has significantly reduced the volatility of these increases in the plans' liabilities.

Pension growth: The majority of the plans' liabilities is calculated based on future pension increases, so these increases will result in an increase in the plans' liabilities.

Life expectancy: The majority of the plans' liabilities is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The average duration of the defined benefit obligation:

HBG UK Schemes	2017 £m	2016 £m
Implied life expectancy at 65		
Male currently aged 65	**22.8**	22.8
Male currently aged 40	**24.2**	24.1
Female currently aged 65	**24.6**	24.5
Female currently aged 40	**26.1**	26.0

HBG GA Schemes	2017 £m	2016 £m
Implied life expectancy at 65		
Male currently aged 65	**22.7**	22.6
Male currently aged 40	**25.0**	24.9
Female currently aged 65	**24.4**	24.3
Female currently aged 40	**26.8**	26.7

Notes to the consolidated financial statements (continued)

20. Pensions and other post-employment benefit plans (continued)

Sensitivity analysis

A sensitivity analysis of the principal assumptions used to measure the scheme liabilities:

HBG UK Scheme

		Impact on defined benefit obligation £m	
As at December 2017	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	(35.6)	41.3
Discount rate	1.00%	(66.4)	89.3
Future salary increases	0.50%	1.6	(1.6)
Inflation assumption	0.50%	37.0	(34.5)
Life expectancy	1 year	13.4	(15.3)

		Impact on defined benefit obligation £m	
As at December 2016	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	(33.9)	39.3
Discount rate	1.00%	(63.3)	85.2
Future salary increases	0.50%	2.2	(2.1)
Inflation assumption	0.50%	35.4	(33.0)
Life expectancy	1 year	13.9	(13.9)

HBG GA Scheme

		Impact on defined benefit obligation £m	
As at December 2017	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	(9.1)	10.5
Discount rate	1.00%	(17.0)	22.8
Future salary increases	0.50%	-	(0.8)
Inflation assumption	0.50%	5.9	(5.5)
Life expectancy	1 year	3.0	(3.0)

		Impact on defined benefit obligation £m	
As at December 2016	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	(9.4)	10.8
Discount rate	1.00%	(17.5)	(23.4)
Future salary increases	0.50%	-	(0.7)
Inflation assumption	0.50%	6.0	(5.7)
Life expectancy	1 year	3.0	(3.0)

The average duration of the defined benefit plan obligation for the HBG UK Scheme was 20 years (2016: 20 years).

The average duration of the defined benefit plan obligation for the HBG GA UK Scheme was 22 years (2016: 22 years).

Notes to the consolidated financial statements (continued)

20. Pensions and other post-employment benefit plans (continued)

Movements in the present value of the defined plan assets in the current year were as follows:

HBG UK / HBG GA Schemes	2017 £m	2016 £m
Opening fair value of plan assets	**507.6**	409.2
Actuarial loss / (gain)	**20.4**	93.8
Contributions from the employer	**3.2**	3.7
Benefits paid	**(26.2)**	(14.1)
Administration costs	**(0.8)**	(0.8)
Finance income	**13.9**	15.8
Closing fair value of plan assets	**518.1**	507.6

Fair value of plan assets

	2017 £m	2016 £m
HBG UK Scheme		
Equity and property (quoted)	**112.7**	118.5
Corporate bonds (quoted)	**39.6**	51.3
Government bonds (quoted)	**4.0**	10.4
Commodities (quoted)	**1.2**	2.6
Cash and cash equivalents	**7.5**	8.5
Other - liability hedge (quoted)	**217.0**	187.7
Other – loans (quoted)	**21.0**	9.8
Fair value of plan assets	**403.0**	388.8
HBG GA Scheme		
Equity and property (quoted)	**19.3**	26.8
Cash and cash equivalents	**0.5**	0.2
Debt instruments (quoted)	**73.5**	69.3
Real estate (quoted)	**3.5**	2.1
Others	**18.3**	20.4
Fair value of plan assets	**115.1**	118.8

In line with the funding requirements of the triennial valuation, the Group expects to make a contribution of £3.0m to the defined benefit plans during the next financial year (2016: £2.5m). In the subsequent 4 years (years 2-5) the Group expects to make total contributions of £21.0m to the defined benefit plans, as per the 2014 triennial recovery plan.

We are unable to accurately estimate how the potential future cash outflows in the memorandum of understanding entered into by the entity in relation to the defined benefit plans may affect the amount and timing of the entity's future cash flows, as these are not legally binding and are reviewed in good faith annually.

The Group also has a defined contribution scheme administered by Legal and General Assurance Society, which was set up in 2004. Contributions to this defined contribution scheme are recognised in the income statement in the period in which they become payable.

	2017 £m	2016 £m
Legal & General Defined Contribution Scheme		
Group contributions	**10.5**	10.1

Notes to the consolidated financial statements (continued)

20. Pensions and other post-employment benefit plans (continued)

The Group also participates in several defined benefit pension schemes under 'TUPE' arrangements that relate to historic staff transfers, where they were members of either the 'Local Government Pension Scheme (LGPS)' or the 'Federated Pension Plan (FPP)', collectively referred to as 'TUPE Schemes'. These schemes are multi-employer schemes where the relevant Group Company's UK parent BAM Construct UK Ltd has 'Admitted Body' status as a sponsoring employer with minority participation. 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 reliable and consistent basis. The information made available by the respective scheme Actuaries relates to the overall scheme valuations rather than the Group's participation as an Admitted Body. The Group accounts for these non-disaggregated schemes as defined contribution schemes.

The pension contributions made by the Company under the Transfer of Undertakings (Protection of Employment) Regulations 2006 during the year are shown below:

	2017 £m	2016 £m
TUPE related pension plans		
Company contributions	**0.5**	0.2

21. Provisions and contingent liabilities

	Onerous lease £m	Insolvency Insurer £m	2017 £m	2016 £m
Balance at 1 January	2.6	0.3	2.9	0.4
Arising in the year	-	0.5	0.5	2.6
Unused amounts reversed	-	(0.3)	(0.3)	(0.1)
Balance at 31 December	2.6	0.5	3.1	2.9
Current	2.6	0.5	3.1	2.9
Non-current	-	-	-	-

Provisions comprise of obligations in respect of the insolvency of one of the Group's insurers and an onerous lease on one of the property developments.

The Parent Company, along with other Group entities, is party to a guarantee in respect of the cash pool overdraft balance within the cash pooling facility with NatWest Bank Plc. At 31 December 2017 there were nil (2016: nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2017 was £nil (2016: £nil). This guarantee is not expected to give rise to any loss.

The Parent Company, along with other Group entities, is party to a guarantee in respect of any individual Company's overdraft balance within the cash pooling facility with the Bank of Scotland Plc. At 31 December 2017 there were nil (2016: nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2017 was £nil (2016: £nil). This guarantee is not expected to give rise to any loss.

The Parent Company, along with other Group entities, is party to a guarantee in respect of any individual Company's overdraft balance within the cash pooling facility with ABN AMRO Bank n.v. At 31 December 2017 there were nil (2016: nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2017 was £nil (2016: £nil). This guarantee is not expected to give rise to any loss.

During the year the Royal BAM Group n.v. renegotiated a revolving credit facility, to which BAM Construct UK Ltd and other Group entities, is a guarantor. The revolving credit facility, was reduced to €400m (2016: €400m), with a maturity date of March 2022. The utilisation of this facility as at 31 December 2017 was £nil (2016: £nil). The directors are satisfied that Royal BAM Group n.v. is currently able to fulfil all its obligations under these agreements without recourse to any of the guarantors.

Notes to the consolidated financial statements (continued)

21. Provisions and contingent liabilities (continued)

The Group is party to various litigation actions arising in the ordinary course of business. Provision is made where there is a probable cost involved in settling the action. Directors are of the view that other claims will have no significant impact on the Group's results.

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.

22. Authorised and issued share capital

	2017 Number	**2017 £m**	2016 Number	2016 £m
Share capital				
Authorised: ordinary shares of £1 each	**40,000,000**	**40.0**	40,000,000	40.0
Issued: ordinary shares of £1 each	**40,000,000**	**40.0**	40,000,000	40.0

23. Subsequent events

The directors note that the United Kingdom has now given notice under Article 50 of the Treaty on European Union of its intention to withdraw from the European Union and that discussions on the terms of exit will take place over a two year period. The directors are currently unable to estimate the impacts, if any, on the company's property valuation or the prospects for its business generally. These uncertainties are not reflected in the consolidated statement of financial position as at 31 December 2017.

24. Other related party transactions

Apart from transactions with related Group entities, no other related party transactions were recorded for 2017 (2016: nil).

No director or employee of the BAM Construct UK Limited Group of companies has entered, either directly or through a closely related party, into non-employment related commercial transactions with any Royal BAM Group company during the period. Transactions with related parties include the following:

	2017 £m	2016 £m
Dividends paid out in the year		
Final declared and paid of £0.10 per share (2016: £0.10 per share)	4.0	4.0
Royal BAM Group n.v. (ultimate parent) - loan @ 0.49% (2016: 0.51%)	185.9	141.3
Amount owed to Royal BAM Group n.v. (ultimate parent) - trade payables	(0.1)	(2.3)
Total amount outstanding at 31 December	185.8	139.0

For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: nil).

Details about guarantees provided to banks for loans made to related Group entities are included in Note 21.

25. Ultimate group undertaking

The Parent Company's immediate parent undertaking is BAM Group (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) are available from Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4FL.

Notes to the consolidated financial statements (continued)

26. Subsidiary, associate and joint venture entities

Entity name	Interest in voting equity (%)	Country of incorporation	Registered Office	Nature of business
BAM Construction Limited	100%	United Kingdom	1	Building contracting
BAM Design Limited	99.99%	United Kingdom	1	Construction design services
BAM Properties Limited	100%	United Kingdom	1	Property development
HBG Parklands SPV Limited	100%	United Kingdom	1	Property development
BAM Monk Bridge Limited	100%	United Kingdom	1	Property development
BAM Buchanan Limited *	100%	United Kingdom	2	Property development
HBG Haymarket 3 Limited *	100%	United Kingdom	2	Property development
BAM Glory Mill Limited	100%	United Kingdom	1	Property development
BAM Cadogan Limited *	100%	United Kingdom	2	Property development
BAM Princes Street Limited *	100%	United Kingdom	2	Property development
BAM Chiswick Limited	100%	United Kingdom	1	Property development
BAM Solihull Limited	100%	United Kingdom	1	Property development
BAM Swindon Limited	100%	United Kingdom	1	Property development
Lydiard Fields Business Park Management Limited	100%	United Kingdom	1	Property development
BAM Queen Street Limited *	100%	United Kingdom	2	Property development
BAM FM Limited *	100%	United Kingdom	3	Property services
BAM Energy Limited *	100%	United Kingdom	3	Property services
Sutton Group Limited	100%	United Kingdom	1	Property services
Sutton Maintenance Limited	100%	United Kingdom	1	Property services
BAM Connislow Limited * (Joint Venture)	50%	United Kingdom	2	Property development
BAM Connislow (Ainsley Street) Limited * (Joint Venture)	50%	United Kingdom	2	Property development
BAM Connislow (Renny's Lane) Limited * (Joint Venture)	50%	United Kingdom	2	Property development
BAM Connislow (Stoddart Street) Limited * (Joint Venture)	50%	United Kingdom	2	Property development
Discovery Quay Development Limited * (Associate)	33%	United Kingdom	2	Property development
GA Properties Limited * (Associate)	33%	United Kingdom	2	Property development
BAM Civil Engineering Limited	100%	United Kingdom	1	Dormant
BAM Infrastructure Limited	100%	United Kingdom	1	Dormant
BAM Plant Limited	100%	United Kingdom	1	Dormant
BAM Services Engineering Limited	100%	United Kingdom	1	Dormant
HBG UK Pension Trustee Limited	50%	United Kingdom	1	Dormant
Kyle Stewart Executive Pension Trustee Limited	50%	United Kingdom	1	Dormant

* Entities registered in Scotland.

The registered offices for the companies is as follows:

1. Breakspear Park, Breakspear Way, Hemel Hempstead, Herts, HP2 4FL
2. 183 St Vincent Street, Glasgow, G2 5QD
3. Kelvin House, Buchanan Gate Business Park, Stepps, Glasgow, G33 6FB

Company statement of financial position

At 31 December	Notes	2017 £m	2016 £m
Assets			
Non-current assests			
Property, plant and equipment	8	1.7	1.8
Intangible assets	9	0.4	1.1
Investments in subsidiaries	10	81.9	81.9
Defined benefit pension asset	14	47.0	50.7
Deferred tax assets	6	0.7	0.7
Total non-current assets		131.7	136.2
Current assets			
Other receivables	11	2.4	6.0
Amounts due from ultimate parent	11	185.9	139.0
Amounts due from group undertakings	11	8.3	3.9
Prepayments and accrued income		1.5	1.2
Cash and short term deposits		22.3	67.1
Total current assets		220.4	217.2
Total assets		352.1	353.4

Registered number
3311781

Company statement of financial position (continued)

At 31 December	Notes	2017 £m	2016 £m
Current liabilities			
Trade and other payables	12	**20.9**	13.5
Amounts owed to group undertakings	12	**202.4**	200.8
Total current liabilities		**223.3**	214.3
Non-current liabilities			
Deferred tax liabilities	6	**8.0**	8.6
Provisions	12	**3.1**	2.9
Total non-current liabilities		**11.1**	11.5
Total liabilities		**234.4**	225.8
Equity			
Share capital	16	**40.0**	40.0
Retained earnings		**77.7**	87.6
Equity attributable to owners of the Company		**117.7**	127.6
Total equity		**117.7**	127.6
Total equity and liabilities		**352.1**	353.4

Approved by the board on 16 April 2018 and signed on its behalf by:

James Wimpenny
Director and Chief Executive

Company statement of changes in equity

For the year ended 31 December 2017	Notes	Share capital £m	Retained earnings £m	Total £m
Balance at 1 January 2016	16	40.0	87.3	**127.3**
Profit for the year		-	9.0	**9.0**
Other comprehensive income for the year, net of income tax		-	(4.7)	**(4.7)**
Total comprehensive income for the year		-	4.3	**4.3**
Payment of dividends	7	-	(4.0)	**(4.0)**
Balance at 31 December 2016	16	40.0	87.6	**127.6**
Profit for the year		-	0.3	**0.3**
Other comprehensive income for the year, net of income tax		-	(6.2)	**(6.2)**
Total comprehensive income for the year		-	(5.9)	**(5.9)**
Payment of dividends	7	-	(4.0)	**(4.0)**
Balance at 31 December 2017	16	40.0	77.7	**117.7**

Notes to the parent company financial statements

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of BAM Construct UK Limited (the 'Company') for the year ended 31 December 2017 were authorised for issue by the board of directors on 16 April 2018 and the consolidated statement of financial position was signed on the board's behalf by James Wimpenny. BAM Construct UK Limited is incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable UK accounting standards and legislation.

The Company's financial statements are prepared under the historical cost convention and presented in Sterling with all values rounded to the nearest million pounds (£m) except when otherwise indicated. The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to prepare a profit and loss account as the Company's results are included in the consolidated statement of comprehensive income shown on page 25.

The results of BAM Construct UK Limited are included in the consolidated financial statements shown for the BAM Construct UK Limited Group earlier in this document. They are also included in the consolidated financial statements of the ultimate parent entity Royal BAM Group n.v., which are available from Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4FL.

BAM Construction Limited provides financial support for the Company and has indicated its willingness to continue to support BAM Construct UK Limited. BAM Construction Limited has confirmed it will provide financial support to the company so it can meet its liabilities for a period of at least 12 months from the date of approval of their financial statements. Accordingly the Directors are confident the Company will be able to meet its liabilities as they fall due for the foreseeable future and that it is appropriate for the accounts to be prepared on a going concern basis.

The principal accounting policies adopted by the Company are the same as those outlined in Note 2 to the consolidated financial statements. The following additional policies are also relevant to the company financial statements.

2. Accounting policies

1) Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared under the historical cost convention.

The accounting policies that were applied in preparing the financial statements for the years ended 31 December 2016 and 2017 are described in Note 2. In addition the Company has taken advantage of the following disclosure exemptions under FRS 101:

a) The requirements of paragraphs 45 (b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
b) The requirements of paragraphs 62, B64 (d), B64 (e), B64 (g), B64 (h), B64 (j) to B64 (m), B64 (n)(ii), B64 (o)(ii), B64 (p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations;
c) The requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
d) The requirements of IFRS 7 Financial Instruments: Disclosures;
e) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
f) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
   i) paragraph 79 (a)(iv) of IAS 1;
   ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment; and
   iii) paragraph 118 (e) of IAS 38 Intangible Assets.
g) The requirements of paragraphs 10 (d), 10 (f), 39 (c) and 134-136 of IAS 1 Presentation of Financial Statements;
h) The requirements of IAS 7 Statement of Cash Flows;
i) The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
j) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
k) The requirements of paragraphs 134 (d) to 134 (f) and 135 (c) to 135 (e) of IAS 36 Impairment of Assets;
i) The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting estimates and errors.

Notes to the parent company financial statements (continued)

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the financial statement date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Pension and other post employment benefits

The judgement adopted by the Company are the same as those outlined in note 2.4 to the consolidated finanical statement.

4. Significant accounting policies

a) Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment. On an annual basis, the Company assesses if there are any indicators of impairment by comparing the net asset values of each subsidiary to their carrying amount. If the net asset value is lower than the carrying amount, the Company assesses if the investment is impaired. If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

b) Dividends

Revenue is recognised when the Company's right to receive payment is established.

5. Auditor's remuneration

	2017 £000	2016 £000
Audit of Group's consolidated financial statements	**83**	89
Audit of Parent Company's financial statements	**72**	77
Audit of Parent Company's subsidiaries	**264**	284
Total audit	**419**	450
Other assurance services (non-audit)	**8**	40
Total fees paid by the Company	**427**	490

All auditors renumeration is paid by BAM Construct UK Limited.

Notes to the parent company financial statements (continued)

6. Income tax

a) Income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	2017 £m	2016 £m
Current income tax		
Current income tax credit	(0.6)	(1.3)
Adjustments in respect of current income tax of previous year	-	0.4
Current tax credit	(0.6)	(0.9)
Deferred tax:		
Relating to origination and reversal of temporary differences	0.6	1.9
Total deferred tax	0.6	1.9
Income tax expense reported in the profit or loss	-	1.0
Deferred tax relating to items recognised in other comprehensive income during the year:		
Net gain on re-measurement gains and losses on defined benefit plans	(1.3)	(0.2)
	(1.3)	(0.2)

b) Reconciliation of the total tax charge

The tax rate charged on profits on ordinary activities for 2017 is lower (2016: lower) than the statutory corporation tax rate enacted in the UK. The corporation tax rate of 19.25% for 2017 (2016: 20%) is derived as a pro-rata figure due to the change in statutory corporation tax rates enacted for the fiscal year (April to March).

	2017 £m	2016 £m
Accounting profit before tax	0.3	10.0
Profit on ordinary activities multiplied by UK Corporation tax rate of 19.25% (2016: 20%)	0.1	2.0
Income not taxable for tax purposes	-	-
Expenses not deductible for corporation tax purposes	-	-
Effect of changes in tax rate	(0.1)	(1.0)
Income tax expense reported in the statement of profit or loss	-	1.0

c) Factors that may affect future tax charges

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. Any deferred tax expected to reverse in these years have been re-measured using these rates as appropriate.

d) Deferred tax

The deferred tax asset included in the company statement of financial position related to the following:

	2017 £m	2016 £m
Deferred tax asset		
Balance at 1 January	0.7	0.8
Tax (expense) recognised in the profit and loss	-	(0.1)
Balance at 31 December	0.7	0.7

Notes to the parent company financial statements (continued)

6. Income tax (continued)

A deferred tax asset in respect of depreciation in advance of capital allowance relief has been recognised in the accounts on the grounds that there will be suitable taxable profits within the tax group of which the Company is a member. Based on all available evidence management believe this will allow for the future reversal of the underlying temporary differences.

Deferred tax liability provided in the financial statements is as follows:

	2017 £m	2016 £m
Deferred tax liability		
Balance at 1 January	**(8.6)**	(7.0)
Tax (expense) recognised in the profit and loss	**(0.7)**	(1.8)
Tax income recognised in the OCI	**1.3**	0.2
Balance at 31 December	**(8.0)**	(8.6)

The deferred tax liability is in respect of the Company's defined benefit pension liabilities.

7. Dividends paid and proposed

Dividends declared and paid by the Company during the year amounted to £4.0m (2016: £4.0m).

8. Property, plant and equpment

	Short leasehold property £m	Plant and equipment £m	**Total £m**
Cost			
At 1 January 2016	1.1	9.3	**10.4**
Additions	-	1.3	**1.3**
Disposals	-	-	**-**
At 31 December 2016	1.1	10.6	**11.7**
Additions	-	0.9	**0.9**
Disposals	-	-	**-**
At 31 December 2017	1.1	11.5	**12.6**
Depreciation			
At 1 January 2016	1.0	8.1	**9.1**
Charge for the year	-	0.8	**0.8**
Disposals	-	-	**-**
At 31 December 2016	1.0	8.9	**9.9**
Charge for the year	0.1	0.9	**1.0**
Disposals	-	-	**-**
At 31 December 2017	1.1	9.8	**10.9**
Net book value			
At 1 January 2016	0.1	1.2	**1.3**
At 31 December 2016	0.1	1.7	**1.8**
At 31 December 2017	-	1.7	**1.7**

Notes to the parent company financial statements (continued)

9. Intangible assets

	Software costs £m	**Total £m**
Cost		
At 1 January 2016	3.6	**3.6**
Additions	-	**-**
Impairments	-	**-**
At 31 December 2016	3.6	**3.6**
Additions	-	**-**
Impairments	-	**-**
At 31 December 2017	3.6	**3.6**
Amortisation and impairment		
At 1 January 2016	1.8	**1.8**
Amortisation	0.7	**0.7**
Impairment	-	**-**
At 31 December 2016	2.5	**2.5**
Amortisation	0.7	**0.7**
Impairment	-	**-**
At 31 December 2017	3.2	**3.2**
Carrying value		
At 1 January 2016	1.8	**1.8**
At 31 December 2016	1.1	**1.1**
At 31 December 2017	0.4	**0.4**

Notes to the parent company financial statements (continued)

10. Investments

	Investments in subsidiaries £m	**Total £m**
Cost		
Balance at 1 January 2016	81.9	**81.9**
Additions	-	**-**
Impairments	-	**-**
Balance at 31 December 2016	81.9	**81.9**
Additions	-	**-**
Impairments	-	**-**
Balance at 31 December 2017	81.9	**81.9**
Carrying value		
At 1 January 2016	81.9	**81.9**
At 31 December 2016	81.9	**81.9**
At 31 December 2017	81.9	**81.9**

For a list of subsidiaries in which BAM Construct UK Limited has an investment see note 26 in the Group Financial Statements.

11. Trade and other receivables

	2017 £m	2016 £m
Current		
Other receivables	**2.4**	6.9
Amounts due from ultimate parent	**185.9**	139.0
Amounts due from other group undertakings	**8.3**	3.0
	196.6	148.9

12. Trade and other payables

	2017 £m	2016 £m
Current		
Amounts due to subsidiaries	**202.3**	200.8
Amounts due to other group undertakings	**0.1**	-
Other payables	**16.1**	8.6
Accruals	**4.8**	4.9
	223.3	214.3
Non-current		
Provisions	**3.1**	2.9
Deferred tax liability	**8.0**	8.6
	11.1	11.5

Notes to the parent company financial statements (continued)

13. Obligations under leases and hire purchase agreements

Operating lease agreements where the Company is lessee

The Company has entered into commercial leases on certain property, motor vehicles and items of office equipment. These leases have an average duration of between 3 and 10 years. (Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise). There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Future minimum rentals payable		
Within one year	**3.5**	3.4
After one year but not more than five years	**8.9**	10.0
After five years	**3.4**	4.8
	15.8	18.2

14. Pensions and other post-employment benefit plans

The salaries and related pension expenses for staff employed in the BAM Construct UK Limited Group are incurred by the Parent Company. See BAM Construct UK consolidated financial statements for further details of salaries and pension schemes.

15. Provisions and contingent liabilities

See BAM Construct UK consolidated financial statements note 20 for further details of provisions and contingent liabilities.

16. Authorised and issued share capital

	Number	**2017 £m**	Number	2016 £m
Share capital				
Authorised: ordinary shares of £1 each	**40,000,000**	**40.0**	40,000,000	40.0
Issued: ordinary shares of £1 each	**40,000,000**	**40.0**	40,000,000	40.0

17. Other related party transactions

The Company has taken advantage of the exemption available under FRS 101 not to disclose details of transactions between wholly owned undertakings of the ultimate parent undertaking, Royal BAM Group n.v.

18. Ultimate group undertaking

The Company's immediate parent undertaking is BAM Group (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) are available from Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4FL.

Offices

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Here you will find downloadable PDFs of:

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

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