The background of the cover is a photograph of a modern, multi-story glass skyscraper. The building's facade is composed of a grid of glass panels, reflecting the sky and surrounding environment. A prominent feature is a large, dark, cantilevered balcony or overhang on one of the lower floors. The sky is a clear, pale blue. A semi-transparent green rectangular box is overlaid on the left side of the image, containing the title and website information.

Annual Report and Accounts 2017

www.bam.co.uk

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



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

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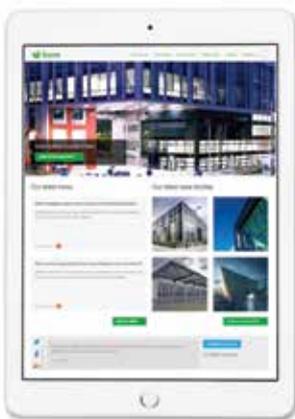
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Visit our website at: www.bam.co.uk

Registered number
 2379469

Cover image:

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

BAM in brief

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

We have 15 offices around the country to enable us to offer an integrated service that operates close to local markets and our customers.

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

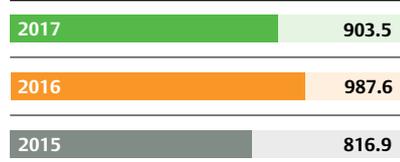


We contribute to BAM Construct UK's goal of being a high-performing, collaborative design, construction, property and FM services provider, by partnering with our clients and supply chain and forging strong, strategic alliances that create value and win repeat business.

2017 at a glance

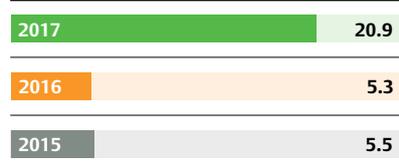
Revenue (£m)

£903.5m



Profit before taxation (£m)

£20.9m



Year end work in hand (£m)

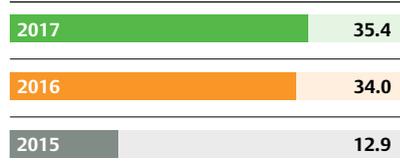
£863.3m



Current undertakings of long term contracts held by the company

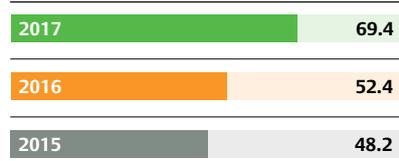
Cash position at year-end (£m)

£35.4m



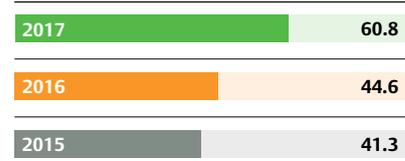
Shareholder's funds at year end (£m)

£69.4m



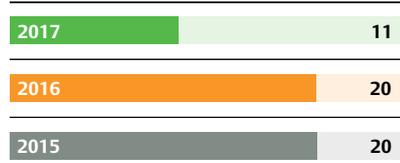
Working capital at year-end (£m)

£60.8m



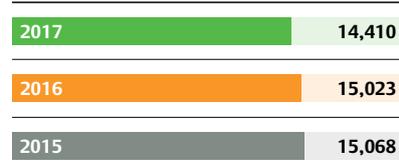
Riddor accidents

11



CO₂ emissions (tonnes)

14,410




18

Considerate
Constructor Awards



494

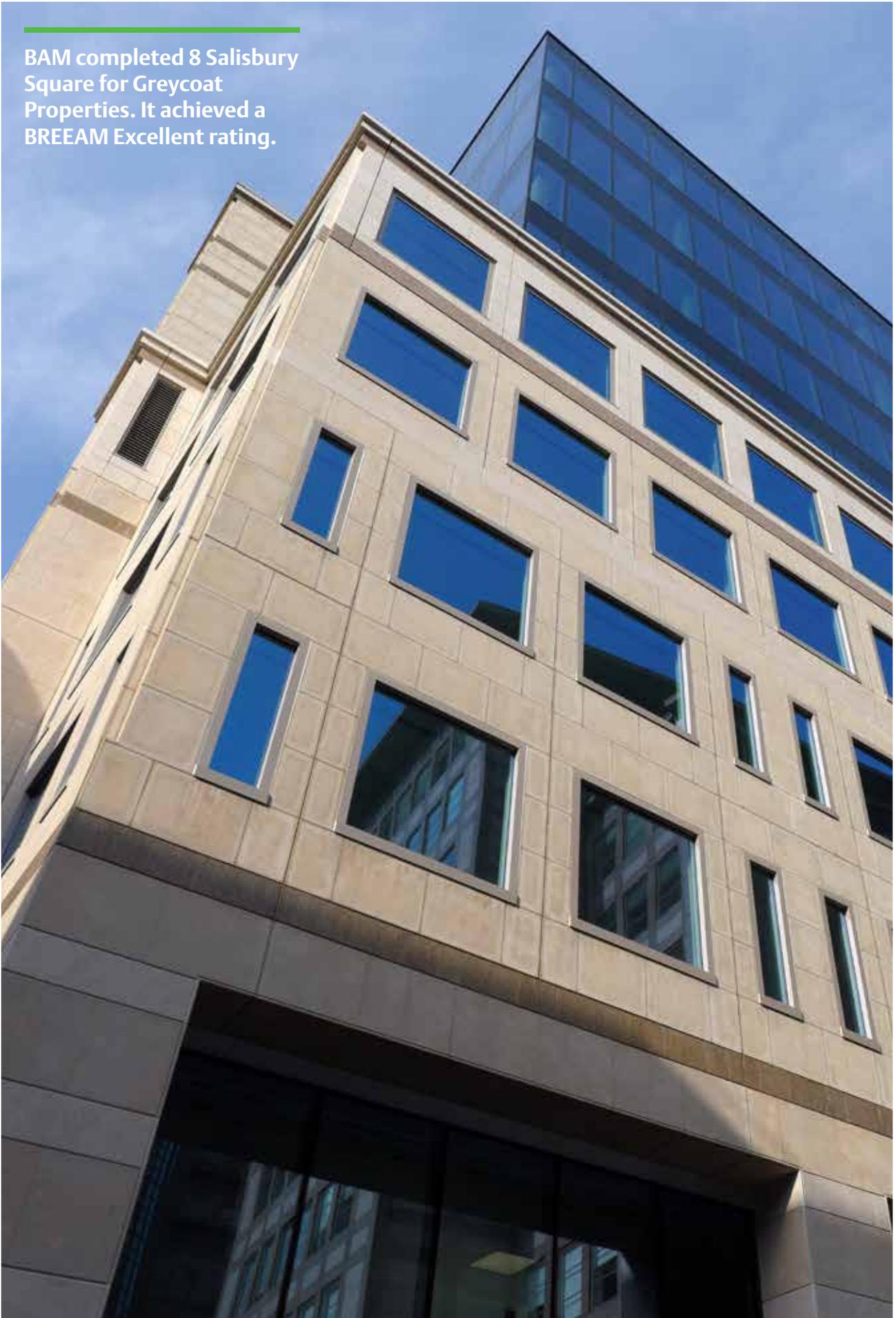
apprentices had work
experience on our sites
in 2017



£437,381

value of cash and in-kind
community support

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



Strategic report

 We want to partner with our clients and supply chain to form effective alliances. 

Douglas Keillor
Executive Director



The directors present their strategic report for the year ended 31 December 2017 which outlines BAM Construction's strategy and financial results, the progress of its operations and performance on sustainability.

Organisational overview and external environment

BAM Construction Limited ('the Company') is part of BAM Construct UK Limited ('the Group') and provides construction, design, services engineering and plant services in the UK. The company works closely with BAM Properties Limited and BAM FM Limited which are also part of BAM Construct UK.

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.

We create value for shareholders and for wider society by creating facilities that support the delivery of essential services to 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 hubs, manufacturing facilities and offices.

We also create value by operating ethically and sustainably, and through community engagement in creating employment, apprenticeships and training opportunities and by supporting local and national charities. A key feature of our sustainability strategy is to enhance the lives of people in the communities where we work.

Business performance

Profit and revenue

The profit before tax for the year ended 31 December 2017 was £20.9m (2016: £5.3m).

Revenue for the year was £903.5m (2016: £987.6m). Revenue decreased by 8.5% during the year as BAM Construction bid selectively and continued to concentrate its efforts on securing high value added projects.

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 £35.4m (2016: £34.0m). Maintaining a healthy cash balance within the business is important as it allows future investment. However BAM Construction 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 improved in 2017. The working capital at year end was £60.8m (2016: £44.6m).

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

Strategic report (continued)

	Risk - description	Controls / Mitigation strategy
1	<p>UK Economy - Brexit impact There continues to be significant economic uncertainty as the negotiations continue on Britain's withdrawal from the European Union and arrangements after Brexit.</p>	<ul style="list-style-type: none"> 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	<p>Variations in market conditions and price competition in our regional markets Operating a regional business creates exposure to regional market variations.</p>	<ul style="list-style-type: none"> 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	<p>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.</p>	<ul style="list-style-type: none"> 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	<p>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.</p>	<ul style="list-style-type: none"> 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	<p>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.</p>	<ul style="list-style-type: none"> 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	<p>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.</p>	<ul style="list-style-type: none"> 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 to help to keep staff engaged and support 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 Construction remains a main contractor of choice.

Strategic report (continued)

Future strategy

BAM Construction aligns its strategy with that of BAM Construct UK and our ultimate parent company Royal BAM Group n.v.. BAM Construction's principal priority for 2018 is to continue to improve its profitability by operating more efficiently and managing cash effectively.

Our ultimate parent company, Royal BAM Group, has published a headline strategy covering the period 2017 – 2020 entitled 'Building the present, creating the future'. The key components of the strategy are 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 facet 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 limb of the strategy involves BAM

being at the forefront of new digital construction and data management techniques. The development of intelligent data will have a profound effect on the built environment and BAM will innovate and assist clients to use such data to make the most of their buildings.

Growth will be achieved by undertaking projects with clients that have complex needs and where BAM Construction can offer its integrated range of services to add value and improve margins. As part of this strategy, the Group has identified a group of 16 clients with those needs and with whom we aim to develop new, or to strengthen existing, customer relationships.

BAM Construction aims to maintain a balanced portfolio of construction work with commercial, education, and health being primary sectors. BAM Construction will also undertake projects in the leisure, advanced manufacturing, transport and law and order sectors and will aim for a balance of private and public sector work. The aim will be to conduct at least



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.



HM Queen Elizabeth II 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)

25% of construction work through frameworks as this form of procurement plays to our strengths. The potential of the private rented sector market will be considered in 2018.

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

The construction business will focus on remaining attractive to clients by being customer focussed, 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. Our aim is to maintain a well-balanced portfolio of projects for public and private sector clients spread across our chosen

primary markets of commercial, health, education, and secondary markets of leisure, law and order, industrial and transport.

Two-stage tendering and negotiation is our preferred method of procuring work, with a focus on quality, rather than lowest cost. These procurement methods better suit the way BAM works as they are more collaborative by nature, allow us to plan and de-risk projects comprehensively and to offer options for added value. Because we have a full design practice, and a services engineering division, we are able to assist a number of clients to achieve realistic cost plans and manage budget constraints through value engineering and creating better design options.

Progress to 2020 and beyond

The directors are satisfied that BAM Construction continues to meet its financial and operational targets and work is progressing well on aligning and developing our operations in accordance with Royal BAM Group's strategy for the period to 2020: 'Building the present, creating the future'.



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.



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 Design

BAM Design is a division of BAM Construction. BAM Design comprises architecture, environmental service engineering, interiors and structures specialists, enabling our team to take a holistic view of building design, to address challenges and identify innovative solutions. It provides support and works collaboratively on winning and delivering projects with BAM Construction, as well as for BAM FM and BAM Properties. Working in our regional offices and with a base in St Albans, BAM Design also contributes to the development of our digital capabilities.



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



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

BAM Plant

BAM Plant is a division of BAM Construction and 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 Technical, Health and Safety and Learning and Development departments, it provides 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 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.



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



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

Strategic report (continued)

BAM Services Engineering

BAM Services Engineering is a division of BAM Construction. It creates value for our business and customers by providing a high level of expertise 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 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.



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



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

Corporate responsibility

Ethics and Standards

The board recognises that the ability of BAM Construction 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. BAM implemented 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 company. 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 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)

the risk of fraud is an important mitigation strategy and we encourage them to raise issue through management channels. We also participate in various forums, and particularly with our bank, on spreading best practice and sharing experiences.

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.

Working for better health and safety

Our continuing goal is to have completely safe operations so that neither employees, nor anyone who works with BAM, suffers injury or ill-health as a 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 number 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 to 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.

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

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, more than £15m in value and awards and commendations recognising outstanding contributions by individual employees.

BAM Construction accidents:

Riddor

11

2017	11
2016	20
2015	20

Strategic report (continued)

Sustainability

During 2017, BAM Construction contributed to the sustainability performance of BAM Construct UK in line with Royal BAM Group’s strategy ‘Building the present, creating the future’. Our sustainability aspirations have three strands: being climate positive, being resource positive and enhancing people’s lives. For BAM Construction the new focus represents a natural evolution of our approach for the past five years, with our ultimate goal to have a 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. We support the work of the UK Green Building Council and have a seat on the board of the Supply Chain Sustainability School and participate in five of its working groups.

BAM Construction contributed to further reductions in the Group’s carbon footprint in 2017 which was 14,410 tCO₂e (2016: 15,023 tCO₂e) and 15.19 tCO₂e/£m (2016:16.52 tCO₂e/£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 CO₂e/£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, BAM Construction’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

Carbon reduction - towards climate positive

tCO₂e

14,410

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

tCO₂e / £m

15.19

2017	15.19
2016	16.52
2015	17.94
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)

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 90% of all construction, demolition and excavation waste from landfill. Overall, we produced 34.21 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 Construction used 81m³ mains water/£1m turnover in 2017 exceeding our target of 90m³. Also, 99% of the timber used on our sites was from verified legal and sustainable sources.

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 specializing 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 Construction 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.

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



Doug Keillor
Executive Director
BAM Construction Limited
16 April 2018

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2017.

The profit for the Company for the year ended 31 December 2017 is set out in the Statement of Comprehensive Income on page 20.

During the year the directors declared and settled a dividend of £nil (2016: £nil).

Principal activities

The principal activity of the Company is construction and the provision of related services in the United Kingdom.

Future developments

2017 has seen steady income growth / income stability for the Company and the directors continue to monitor opportunities for pursuing profitable construction development contracts. This includes working with other Group companies to leverage construction opportunities that may exist with their customers.

The Company continues to promote its reputation for delivering successful projects for leading British organisations and promoting its capacity in refurbishment and retrofitting, and digital construction, design and services engineering.

Directors

The following served as directors during the year ended 31 December 2017 and subsequent to that date:

- G Cash – resigned 31 December 2017
- T Chell
- B Dickson
- M Donegan - appointed 15 September 2017
- R Ellis – resigned 17 August 2017
- I Fleming – appointed 1 February 2017
- A Harding
- D Keillor
- J Phillips
- R Stiles
- J W R Wimpenny

Secretary

- F Wardhaugh

Qualifying third party indemnity provision for directors

The Company's ultimate parent undertaking, Royal BAM Group n.v., maintains liability and indemnity insurance for its directors and officers against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. This provision has been in place throughout the year, and remains in place as at the date of approving this Directors' report.

The Company is part of Royal BAM Group n.v.

Subsequent events

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

The directors note that the United Kingdom has 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 what the impacts are, if any, on the company's 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 3 D 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 13 of the financial statements on Director's view on financial instruments and associated risks.

Director's report (continued)

Disabled employees

BAM is an equal opportunities employer and while applicants are asked to describe their gender, ethnicity and if 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 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 2016 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, 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, via a staff intranet, discussion forums, surveys and face to face communication by the Board through an annual series of roadshows around the country.

Consideration of going concern

BAM Construction Limited's directors have considered the preparation of these financial statements under the 'going concern' basis. They have considered:

- The quality, remaining duration and volume of construction contracts held;
- The liquidity levels maintained by the business;
- The principal risks and uncertainties outlined in the Strategic Report and previous sections of this report; and
- The future forecasts for the Company.

After considering the above points and making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they deem it appropriate to continue to prepare these financial statements on the going concern basis.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all steps that he is obliged to take as a director in order 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 for the forthcoming year in accordance with section 485 of the Companies Act 2006 and the elective resolution passed by the Company.

Signed on behalf of the board, on 16 April 2018.



Doug Keillor
Executive Director
BAM Construction Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied

that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these accounts, 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of BAM Construction Ltd for the year ended 31 December 2017 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation 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 company's affairs as at 31 December 2017 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 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, 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.

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.

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

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 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

18 April 2018

Notes:

1. The maintenance and integrity of the BAM Construction Ltd 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.

Statement of comprehensive income

For the year ended 31 December	Notes	2017 £m	2016 £m
Continuing operations			
Revenue	3	903.5	987.6
Cost of sales		(850.9)	(951.9)
Gross profit		52.6	35.7
Administration and other expenses		(31.6)	(30.5)
Other operating expense / income		(0.1)	0.1
Operating profit	4	20.9	5.3
Profit on ordinary activities before taxation		20.9	5.3
Income tax expense	7	(3.9)	(1.1)
Profit on ordinary activities after taxation			4.2
Profit for the year		17.0	4.2
Total comprehensive income for the year		17.0	4.2

Statement of financial position

At 31 December	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Plant and equipment	9	2.6	2.6
Investments in subsidiary	10	0.4	0.4
Trade and other receivables	11	14.1	12.9
Deferred tax assets	7	0.2	0.3
Total non-current assets		17.3	16.2
Current assets			
Inventory and work-in-progress		0.2	0.2
Trade and other receivables	11	67.8	115.6
Amounts due from group undertakings	11	191.8	179.8
Amounts due from customers for contract work	11	13.3	15.2
Prepayments and accrued income	11	25.8	33.8
Cash and short-term deposits		35.4	34.0
Total current assets		334.3	378.6
Total assets		351.6	394.8

Registered number
2379469

Statement of financial position (continued)

At 31 December	Notes	2017 £m	2016 £m
Current liabilities			
Trade and other payables	12	224.4	246.7
Amounts due to customers under construction contracts		43.4	81.9
Amounts due to subsidiary undertaking		0.7	0.5
Income tax payable		4.1	1.1
Other liabilities		0.9	3.8
Total current liabilities		273.5	334.0
Non-current liabilities			
Trade and other payables	12	8.7	8.4
Total non-current liabilities		8.7	8.4
Total liabilities		282.2	342.4
Equity			
Share capital	16	24.0	24.0
Retained earnings	17	45.4	28.4
Total equity		69.4	52.4
Total equity and liabilities		351.6	394.8

The financial statements were approved by the Board of Directors on 16 April 2018 and signed on its behalf by:



Doug Keillor
Executive Director
BAM Construction Limited

Statement of changes in equity

	Share capital (Note 16) £m	Retained earnings (Note 17) £m	Total £m
For the year ended 31 December 2017			
Balance at 1 January 2016	24.0	24.2	48.2
Profit for the year	-	4.2	4.2
Balance at 31 December 2016	24.0	28.4	52.4
Profit for the year	-	17.0	17.0
Balance at 31 December 2017	24.0	45.4	69.4

Registered number
2379469

Notes to the financial statements

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

The financial statements of BAM Construction 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 Statement of financial position was signed on the board's behalf by Doug Keillor. BAM Construction Limited, a private company limited by shares, 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 presented in Sterling and all values are rounded to the nearest million pounds (£0.1m) except when otherwise indicated. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of BAM Construct UK Limited.

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

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

2. Accounting policies

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

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;
- k) The requirements of paragraphs 134 (d) to 134 (f) and 135 (c) to 135 (e) of IAS 36 Impairment of Assets; and
- l) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.2 Changes in accounting policy and disclosures

The Company 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 company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.3 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 balance sheet 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.

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

a) Operating lease commitments

The Company 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 Company 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 balance sheet.

b) 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 Company has efficient, co-ordinated systems for cost estimating, forecasting and revenue and costs reporting. The system also requires a consistent judgement (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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.3 Judgements and key sources of estimation uncertainty (continued)

c) Claims receivable

In the normal course of business the Company 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.

d) 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 7.

2.4 Significant accounting policies

a) Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

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 balance sheet date. All differences are taken to the income statement.

b) Investments 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.

c) 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 plant and equipment, on a straight-line basis over its expected useful life as follows:

Plant, machinery and vehicles – 8.33% to 50% per annum.

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.

d) Provisions for liabilities

A provision is recognised when the Company 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 Company 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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

e) Accounting policy for leases

Company 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.

Company 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.

f) 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.

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.

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:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

f) Financial Instruments (continued)

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.

g) Stocks and work-in-progress

Stocks 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.
- Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs except for capitalisation of qualifying interest incurred on construction projects where applicable.

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.

h) Trade receivables and other debtors

Trade receivables and other debtors, which generally have 30-60 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 Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

i) Cash at bank and in hand

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

j) 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 balance sheet date.

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 balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

k) 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 balance sheet.

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.

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.

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 balance sheet 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 financial statements (continued)

3. Revenue

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

	2017 £m	2016 £m
Construction contracts revenue	902.9	986.8
Rental income	0.6	0.8
Revenue from continuing operations	903.5	987.6

4. Operating profit

Certain of the Company's administrative costs, including audit fees and staff costs, were borne by the immediate parent undertaking, BAM Construct UK Limited.

The operating profit is stated after charging depreciation of £1.0m (2016: £1.0m) and operating lease rentals for plant and machinery of £0.6m (2016: £0.8m).

5. Auditor's remuneration

The audit fees were borne by the immediate parent undertaking, BAM Construct UK Limited.

6. Staff costs and directors' remuneration

All staff costs and directors' remuneration costs were met by the immediate parent, BAM Construct UK Limited.

During the year 2017 Graham Cash, James Wimpenny and Doug Keillor directors of the Company, were also directors of the immediate parent, BAM Construct UK Limited. Their remuneration is paid by and attributable to services provided to BAM Construct UK Limited and has been disclosed in the statutory accounts of that entity.

T Chell, B Dickson, M Donegan, R Ellis, I Fleming, A Harding, D Keillor, J Phillips, R Stiles and J W R Wimpenny, directors of the Company, received remuneration from BAM Construct UK Limited as employees of that company. Directors' emoluments are subsumed within management charges levied by BAM Construct UK Limited on the Company (see Note 4), but the amount is not separately identified within this recharge.

Notes to the financial statements (continued)

7. Income tax

a) Tax charged in the income statement

	2017 £m	2016 £m
Current income tax		
Current income tax charge	4.1	1.1
Prior year adjustment	(0.2)	-
Income tax expense reported in the profit or loss	3.9	1.1

b) Reconciliation of the total tax charge

The tax rate charged on profits on ordinary activities for 2017 is lower than (2016: higher) the statutory corporation tax rate enacted in the UK. The statutory corporation tax rate was 19.25% (2016: 20%). The differences are reconciled below:

	2017 £m	2016 £m
Profit on ordinary activities before tax	20.9	5.3
Profit on ordinary activities multiplied by UK Corporation tax rate of 19.25% (2016: 20%)	4.0	1.0
Expenses not deductible for corporation tax purposes	0.1	0.1
Prior year adjustment	(0.2)	-
Total current tax charge	3.9	1.1

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.

Notes to the financial statements (continued)

7. Income tax (continued)

d) Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2017 £m	2016 £m
Deferred tax asset		
Balance at 1 January	0.3	0.3
Tax expense recognised in the profit and loss	(0.1)	-
Balance at 31 December	0.2	0.3

There are no unprovided deferred tax liabilities.

Deferred tax provided in the financial statements is as follows:

	2017 £m	2016 £m
Deferred tax asset		
Accelerated capital allowances	0.2	0.1
Other timing differences	-	0.2
Deferred tax asset	0.2	0.3

A deferred tax asset 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.

8. Dividends paid and proposed

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

Notes to the financial statements (continued)

9. Plant and equipment

	Plant and Equipment £m
Cost	
Balance at 1 January 2017	10.5
Additions	1.2
Disposals	(1.3)
Balance at 31 December 2017	10.4
Depreciation	
Balance at 1 January 2017	7.9
Charge for the year	1.0
Eliminated on disposals	(1.1)
Balance at 31 December 2017	7.8
Net book value	
At 31 December 2016	2.6
At 31 December 2017	2.6

Plant and equipment include assets with a net book value of £0.2m (2016: £0.3m) which are hired out to other group undertakings and 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 £0.6m (2016: £0.9m).

Notes to the financial statements (continued)

10. Investments – non-current

	Investment in subsidiary £m
Cost	
Balance at 1 January 2017	0.4
Additions	-
Impairments	-
Balance at 31 December 2017	0.4
Carrying value	
At 31 December 2016	0.4
At 31 December 2017	0.4

11. Trade and other receivables, prepayments and accrued income

	2017 £m	2016 £m
Current		
Trade and other receivables	67.8	115.6
Amounts due from parent undertaking	191.1	179.7
Amounts due from fellow subsidiary undertaking	0.7	0.1
Amounts due from customers for contract work	13.3	15.2
Prepayments	0.5	0.2
Accrued income completed projects	2.7	13.5
Accrued income work in progress	22.6	20.1
	298.7	344.4
Non-current		
Trade and other receivables	14.1	12.9
	14.1	12.9

Accrued income reflects uninvoiced amounts related to the value of work done on customer contracts that can be measured reliably and where management judge the amount is recoverable with reasonable certainty.

Trade and other receivables (current assets) includes retentions of £30.9m (2016: £30.0m).

Trade and other receivables (non-current assets) are retentions of £14.1m (2016: £12.9m).

Notes to the financial statements (continued)

12. Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	68.9	82.8
Accruals	0.9	6.2
Accrued costs completed projects	26.6	31.6
Accrued costs work in progress	128.0	126.1
	224.4	246.7
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.

13. Financial risk management

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.

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.

Construction projects are financed 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.

Notes to the financial statements (continued)

14. Obligations under leases

Operating lease agreements where the Company is lessee

The Company has entered into non-cancellable commercial leases on certain items of equipment and vehicles.

	2017 £m	2016 £m
Future minimum rentals payable		
Within one year	1.3	1.2
After one year but not more than five years	2.0	2.0
After five years	-	-
	3.3	3.2

The Company has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average duration of between 3 and 4 years. The lease agreements contain an option for renewal, with such options being exercisable 6 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.

15. Provisions and contingent liabilities

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

The Company, along with other group entities, provided a guarantee against a subordinated term loan and a committed revolving credit facility to its ultimate parent undertaking, Royal BAM Group n.v. :

- 1) The principal sum of the subordinated term loan amounts to €125m (2016: €125m).
- 2) 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 guarantee. The revolving credit facility, was reduced to €400m (2016: €400m), with a maturity date of March 2022. 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.

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.

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

Notes to the financial statements (continued)

16. Authorised and issued share capital

	Number	2017 £m	Number	2016 £m
Share capital				
Authorised: ordinary shares of £1 each	24,000,100	24.0	24,000,100	24.0
Issued: ordinary shares of £1 each	24,000,002	24.0	24,000,002	24.0

17. Retained earnings

	Retained earnings £m	Total Equity £m
At 1 January 2017	28.4	28.4
Profit for the year	17.0	17.0
At 31 December 2017	45.4	45.4

18. 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 group undertakings.

19. Group structure

Entity name	Interest in voting equity (%)	Relationship	Nature of business
BAM Design Limited	99.99%	Immediate	Construction design services
HBG UK Pension Trustee Limited	50%	Immediate	Dormant
Kyle Stewart Executive Pension Trustee Limited	50%	Immediate	Dormant

The registered offices for all of the above is Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4FL.

20. Ultimate group undertaking

The Company's immediate parent undertaking is BAM Construct UK Limited, a company incorporated in England.

The ultimate parent undertaking and controlling party is Royal BAM Group n.v., a company incorporated in The Netherlands. The group accounts of the ultimate parent undertaking (the largest group of which the company is a member and for which group accounts are prepared) and of BAM Construct UK Limited (the smallest group) are available from Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4FL.

21. Subsequent events to the statement of financial position

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

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 are ongoing. The directors are currently unable to estimate what the impacts are, if any, on the company's prospects for its business generally. These uncertainties are not reflected in the statement of financial position as at 31 December 2017.

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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

Registered number: 2379469

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