BAM Construct UK Limited

2018

Annual Report and Accounts

www.bam.co.uk

The Bonus Arena, Hull, built by BAM Construction in the North East, opened to the public in August 2018.

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An overview of our 2018 performance, our future direction, and a review of the strategy underpinning our businesses.

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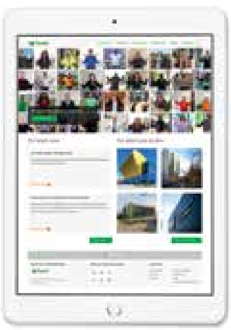
Cover image:
Tate St Ives won the coveted title Art Museum of the Year 2018, following an extension and renovation undertaken by BAM Construction in the Western Region.



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:

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.

Members of the board and senior management team of BAM Construct UK.

2018 at a glance

Group turnover (£m)

£949.8m

2018	949.8
2017 restated	953.0
2016 restated	1,065.2

Profit before tax (£m)

£19.4m

2018	19.4
2017 restated	14.8
2016 restated	20.4

Order book (£m)

£1,757.3m

2018	1,757.3
2017	1,624.0
2016	1,653.6

Cash and cash equivalents (£m)

£82.9m

2018	82.9
2017	82.3
2016	116.6

Shareholder's funds at year end (£m)

£173.6m

2018	173.6
2017 restated	146.0
2016 restated	144.3

Working capital at year-end (£m)

£104.8m

2018	104.8
2017 restated	100.0
2016 restated	95.2

Riddor accidents

19

2018	19
2017	13
2016	20

CO_2 emissions (tonnes)

11,488

2018	11,488
2017	13,208
2016	15,182

£411,201
Value of cash and in-kind community support

15
Considerate Constructor Awards

67
Apprentices had work experience on our sites in 2018

145
Directors' safety tours of sites

> **Our 2,549 employees display an outstanding level of commitment.**

James Wimpenny
Chief Executive

Chief Executive's foreword

In 2019 we are marking the 150th anniversary of the founding of BAM as a carpentry workshop in a small village in the Netherlands. Our origins in the UK go back a long way, too, to 1874. Along with our colleagues in Europe, we take great pride in our combined heritage and look forward to celebrating it this year with our employees, clients and supply chain.

We are also planting 150,000 trees around the world to mark the anniversary.

I am pleased to report that BAM Construct UK had a successful year in 2018 with a 31% increase in profitability (profit before tax) and that all our key financial indicators are sound.

However, as for any board in any modern company, a key question is how to secure a sustainable future for our business. It's a continuous challenge to decide how best to anticipate and adapt to emerging technologies, demographics, changing attitudes and expectations in society, and the needs of the planet.

My board and senior management team have concluded that we cannot earn enough from construction alone to enable sufficient investment in the future in our people and the technology that we need. And, in addition to our increased profitability, it is time also to grow the size of our business. We have therefore embarked on feasibility studies of potential work streams to add to our portfolio that would generate higher levels of profit and enable growth.

Construction, facilities management and property development will remain a substantial part of what we do, and there will be no sudden moves. Our consistent, stable performance is a source of reassurance to many clients (evidenced by the fact that 65% of the value of new work won in 2018 was repeat business). Our entry to new markets will be carefully planned: with assistance from external experts and by leveraging current expertise in other parts of Royal BAM Group.

Throughout 2018, we participated fully in the One BAM programme to better align the activities, processes, platforms and procedures in the ten operating companies that form Royal BAM Group. My board fully supports the evolution to One BAM as it will lead to greater efficiencies and enable us to exploit fully the collective capabilities and experience of the 20,000 people that work for BAM worldwide. While we will align more closely when it makes sense to do so, we are committed to continuing to deliver services locally so that we stay close to our markets and our clients.

As I write this, it is still unclear on what terms, if any, the United Kingdom will leave the European Union. In the face of this uncertainty we have assessed the risks as best we can and how to mitigate them.

As ever, I would like to thank our 2,549 employees who display an outstanding level of commitment to the company, our clients and the communities where we work. I would say this - wouldn't I - but I believe the calibre of our staff, and the culture they sustain, is a real advantage. In 2018 our customer feedback surveys confirmed a continuing high level of satisfaction with the performance of our teams.

A sincere thank you also to our clients and our suppliers and subcontractors for the collaborative relationships we enjoy with you.

James Wimpenny
Chief Executive
BAM Construct UK
6 June 2019

Strategic report

The directors present their strategic report for the year ended 31 December 2018 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.

In March 2019, BAM Construction in London completed a major renovation of the Hayward Gallery, Queen Elizabeth Hall and Purcell Room at the Southbank Centre London.

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 2018 for the Group was £19.4m (2017 restated: £14.8m). After taxation the profit attributable to the shareholder was £15.5m (2017 restated: £11.9m). During the year a dividend of £4.0m was declared and paid (2017: £4.0m) and pension deficit repair contributions of £3.1m were paid (2017: £2.5m).

The Group achieved revenue of £949.8m (2017 restated: £953.0m) and a Group operating profit of £14.5m (2017 restated: £13.7m).

Revenue decreased fractionally during the year as BAM Construct UK concentrated on improving margins by seeking and undertaking higher value work. Total operating profit showed a slight improvement on the 2017 restated operating profit (before exceptional items) of 6%. Work in hand increased slightly reflecting a continuing selective approach to tendering and a prudent approach to the level of uncertainty in the UK and internationally. The value of our forward order book stands at £1,757.3m. The Board consider this to be a solid basis for growth and further improvement in profitability in 2019.

Strategic report (continued)

Cash and equivalents

Managing cashflow effectively is a key objective. Cash and short-term deposits continue to show a healthy position at £82.9m (2017: £82.3m). The business continues to generate strong cashflows. A strong cash balance enables future investment. BAM Construct UK does not seek to enhance our cash position at the expense of our supply chain. In line with Government requirements we published our performance on payment terms for the period from 1 January to 30 June 2018 and the period 1 July to 31 December 2018 on the website www.check-payment-practices.service.gov.uk. Our payment performance improved during the year.

Working capital

The position on working capital remained broadly stable in 2018. Working capital at year-end was £104.8m (2017 restated: £100.0m).

Shareholders' funds

Shareholders' funds remain consistent with previous years following the declaration of a dividend of £4.0m (2017: £4.0m).

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 impacts and uncertainty internationally
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

Our new recruits in 2018 had a two-day induction session on 28 and 29 October.

BAM Construction in Scotland, in collaboration with hub West Scotland, staged a 10-week programme, Ready, Steady, Girls Construct!, to give 12 young women an insight into the construction industry.

The team in BAM Construction in the North West working on a new neo natal unit based at Glan Clwyd Hospital handed over phase II of the project six weeks early in June 2018 despite the challenge of working in a live busy hospital.

Strategic report (continued)

	Risk - description	Controls / mitigation strategy
1	**UK economy** There continues to be significant economic uncertainty about Britain's withdrawal from the European Union including the possibility of a 'no-deal' Brexit 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 high value 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 assessed 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 2019 on the most frequent causes of lost time accidents. • 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 of 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 2019 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. As part of the strategy BAM Construct UK is supporting and participating in a drive to align core functions across Royal BAM Group to achieve aligned processes and procedures in the fields of IT, human resources and financial accountability and reporting. This will support greater efficiency and enable all ten operating companies in Royal BAM Group to leverage their combined capabilities.
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.

In February 2018, BAM Construction in the North East finished work on Merrion House, Leeds for Town Centre Securities.

In 2018, work continued on developing BMS2020 a portal for managing projects in real time with appropriate guidance at every stage in a work flow. Phase one of the portal is scheduled for implementation in 2020.

BAM Construct UK will continue to focus in 2019 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) will continue to play an important role 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.

The Board and Senior Management Team of BAM Construct UK have embarked on a number of feasibility studies to consider potential new streams of work that will enable the Group to apply the existing range of skills, capabilities and experience to activities that earn higher margins.

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.

In October 2018, BAM in the South East celebrated with the topping-out of the Centenary Building at the University of Southampton.

Strategic report (continued)

Divisional review

BAM Construction

BAM Construction achieved revenue of £891.6m in 2018 (2017 restated: £892.0m). Profit before taxation was £19.0m (2017 restated: £9.4m). The value of forward orders at year-end was £1,043.8m (2017: £863.3m).

In 2018, BAM Construction completed 33 projects, among them: V&A Dundee for Dundee City Council; Hull Arena for Hull City Council; Coal Drops Yard, King's Cross, London for Argent LLP; City South Campus for the University of Birmingham and 13 schools and academies around the country.

BAM Construction secured 39 new projects in 2018 including: 100 Embankment, Manchester for Ask Real Estate; student accommodation at Master's Field for Balliol College, Oxford; an Engineering faculty building for the University of West of England, and new wards and outpatient facilities at Whitby Hospital for the NHS Property Trust.

The UK Hydrographic Office celebrated the opening of its new headquarters in Taunton in March 2019 that was built by BAM Construction in the Western region.

We maintain our strategy of forming long-term strategic alliances with clients that share our values of collaboration and interest in leveraging the benefits of digital construction, new methods such as off-site fabrication and sustainability. 65% of the value of work won in 2018 was repeat business. BAM Construction aims to maintain a broadly balanced portfolio of work. 42% of work won in 2018 was for public sector clients and 58% was for private sector clients.

BAM FM

In 2018 BAM FM's turnover was £54.4m (2017: £47.5m). Profit before taxation was £1.2m (2017: £1.5m). Throughout the year, BAM FM successfully pursued its strategy of broadening its portfolio and won contracts with new clients such as City of York Council, Town Centre Securities and The Scottish Prison Service.

During 2018, BAM FM secured a place on the CCS Framework for Facilities Management Contracts RM3830 that enables us to bid for central and local government contracts.

In December 2018, BSI recommended BAM FM for certification to PAS 1192 Part 3. This confirms that FM can receive, update and share asset information throughout the operational lifecycle of a building using our common data environment and, as a result, that we are better able to collaborate with our customers and supply chain.

BAM FM is pursuing a growth strategy founded on early involvement with BAM Construction's clients, growing services to existing customers, acquiring larger scale, longer-term contracts in the private sector and developing its subsidiary company BAM Energy.

The Duchess of Cambridge performed the royal opening of V&A Dundee in January 2019. The unique building with curved concrete walls was completed on time and on budget by BAM Construction in Scotland in June 2018.

Strategic report (continued)

Beaumont Primary Academy, Huddersfield, was delivered four weeks early in August 2018 by BAM Construction in the North East.

BAM Properties

Throughout 2018, BAM Properties continued to work on a commercial development at Capital Square, Edinburgh. Work started on two buildings at Atlantic Square in Glasgow. Building One will be occupied by HMRC and Building Two is being developed on a speculative basis. Both developments are being built by BAM Construction and are scheduled for completion in 2020.

As part of the strategy to extend Group activities that earn a higher margin, and in line with the risk appetite of Royal BAM Group, BAM Properties will seek a wider portfolio of development in the coming years particularly in the areas of build to rent and student accommodation.

At the end of the year, BAM Properties obtained planning consent for one of the UK's largest regional build to rent developments located at our site in Latitude, Leeds City centre. In 2019 BAM Properties will seek an investor for the development that will comprise 463 studio, one, two and three bedroom apartments arranged across 17 and 21 storeys.

BAM Properties development at Capital Square, Edinburgh, progressed throughout 2018. BAM's technical team devised vertical propping to cope with the constraints of the site.

BAM Design

BAM Design offers a full architectural and design service in our business and has team members co-located in six of our seven regional construction divisions. In addition, BAM Design's expertise help us to improve our design management and co-ordination on projects, and to design for safety and sustainability. The team also works closely with BAM Properties and BAM FM.

BAM Design leads our work in developing our digital construction capabilities and pioneering innovative methods to improve quality and speed of project delivery.

Approximately 20% of BAM Design's work in 2018 was for external clients. BAM Design intends to grow the proportion of external work in 2019 by increasing the amount of work it undertakes for other Operating Companies of Royal BAM Group and its work for external developers and architectural consultancies. The primary focus of BAM Design, however, will remain on adding value within our business.

Strategic report (continued)

BAM Construction in the South East handed over Niskham School, Isleworth, in June 2018. The client praised BAM's 'superb collaboration'.

BAM Services Engineering

2019 will mark the 25th anniversary of the establishment of our services engineering division. In that time it has created value for our business and our clients by providing a high level of expertise on mechanical and electric design and installation.

In 2018 the business developed a plan to integrate our MEPH services into each of our seven regional construction divisions, while a core central team will ensure knowledge share, consistent data collection, standards and services. This is now being implemented.

Maintaining a cadre of experts in services engineering is a competitive advantage as securing the provision of high quality remains one of the riskiest aspects of construction projects. Under the new arrangements, our services engineering specialists will work in a more integrated way alongside our project teams and also 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.

In 2018 BAM Plant increased the range of its digital services with the development of a drone survey service, along with access control systems, digital recordable radios and hook cameras. The demand for eco modular cabin offices increased substantially and in 2019 BAM Plant will increase its stock.

The division continues to organise scaffolding and complex lifts and installations on sites, and offers support and advice to the business on some of the high risk and challenging activities that involve the use of plant and equipment.

BAM Plant has strong relationships with many of the major plant rental companies. This enables our teams to call upon the best rehire options to supplement our own portfolio of assets and services, and in turn reduces the risk of becoming too asset heavy.

BAM Plant launched a digital drone service in June 2018. Two members of the BAM Plant team have been approved by Civil Aviation Authority to fly drones.

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 2018 a working party comprising employees and managers across the Group developed BAM Mentoring, a programme to encourage people to seek mentoring support, or to act as mentees, as part of their personal and career development. BAM Mentoring was launched in January 2019 and has already attracted more than 20 expressions of interest.

The Group continues to invest in apprenticeships, training and personal development of all our employees. In 2018 each employee had on average 2.9 days of formal, structured training, such as our management essentials programme. This included a programme of unconscious bias training for our senior managers.

The Group commits substantial resources to attracting people to a career in BAM. 51 trainees were employed while studying on day release courses. Eight employees are engaged in year-long industrial placements and nine students were sponsored through full time courses at university.

The company has recovered 50% of the apprenticeship levy paid in 2017/18 to invest in providing 51 people with formal apprenticeships with BAM in various disciplines including construction, business administration, and customer services.

We commit significant resources to attracting people at the start of their career to BAM and in 2018 extended our campaigns on social media and in particular Instagram to position BAM as an employer of choice. This resulted in more than 3,000 applications for our 2018 early career programmes.

BAM makes use of the Insights Discovery tool to help employees understand their preferred working style and to recognise and understand the preferred working styles of colleagues. In 2018 five people qualified as practitioners who are able to deliver Insights workshops and feedback sessions.

The board is committed to direct engagement with employees and, as usual, in 2018 staged a series of nine roadshows around the country that were attended by more than 1,000 employees in total. Board members also staged two hour-long, live yam-jam sessions on Yammer where employees had the opportunity to post questions directly and receive answers in real time.

Throughout 2018 all employees connected to the BAM network had the opportunity to participate in BAM Panel, a confidential pulse survey. The survey is run quarterly by Royal BAM Group and rotates through all employees in a calendar year.

BAM Construct UK directly employed 2,549 people at 31 December 2018.

Every year we give our trainees a challenge to enhance people's lives. The 2017 -2018 group raised a total of £11,000 for charity and engaged with pupils in 35 schools.

Strategic report (continued)

Working better for health and safety

Our continuing goal is to have completely safe operations so that BAM employees, and everyone who works with BAM suffer no injury or ill health as a result of our activities.

As well as extensive training and monitoring of health and safety, we promote well being throughout the company and among our supply chain through activities such as talks about detecting cancers, nurses attending sites to undertake health check and to offer advice. In 2015 BAM signed the Time to Talk pledge and there is a continuing programme of activities to help employees manage their mental health, to speak openly about mental health issues and to raise awareness of sources of support for mental health issues.

In 2018, the main causes of accidents involving lost time related to manual handling, slips and trips, falling objects and lifting. Our accident rate is low, but pursuing further improvement especially in these areas is proving difficult. In 2018, the safety team developed a 'changing perceptions' workshop to challenge any perception that these kinds of accidents are inevitable.

The BAM team in the Midlands working on One Chamberlain Square, facilitated a fire training exercise on site for West Midlands Fire Service. The exercise involved the simulation of a rescue of a crane driver who had a heart attack causing him to drop a heavy load.

BAM promotes four values among employees: predictable performance, proactive ownership, open collaboration and scalable learning and all of these values are applied to our approach to safety.

Safety leadership teams have been set up in all business units to share best practice and to learn lessons from accidents.

2018 RoSPA President's Award

BAM Construction
RoSPa awarded medals to all of our operations divisions in 2018:

- Scotland - Order of Distinction
- North West - Order of Distinction
- Midlands - Order of Distinction
- London - Order of Distinction
- Western - Order of Distinction
- North East - President's Award
- South East - Silver Award

BAM FM - President's Award

BAM Plant - Gold award

Senior management in BAM display visible leadership on safety by conducting regular Directors' safety tours on construction sites. Directors' undertook 145 tours in 2018.

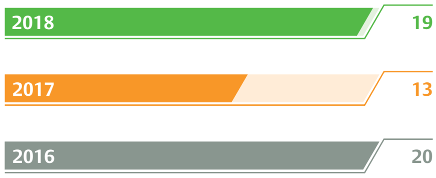
In May 2018 we staged our annual health and safety awards that celebrated the achievements of individuals and site teams in eight categories, including lessons learned, innovation, and engagement with the supply chain.

In June 2018 BAM Construct UK launched a new safety campaign in tandem with all other Operating Companies in Royal BAM Group. Your Safety is My Safety emphasises individual and collective responsibility for safety among all employees and particularly the value of proactive ownership in improving safety performance.
Our safety performance depends on collaboration and engagement with our supply chain. As usual, our seven construction divisions staged knowledge sharing conferences with their supply chains as well as staging awards recognising good safety performance among our subcontractors.

BAM's safety management system is audited by the British Safety Standards Institute to meet OHSAS 18001.

Riddor accidents

19



Board member, Andrea Singh, presented Dermot Parkinson, Project Manager, with the award for Health Initiative of the Year at BAM's National Health and Safety Awards in May 2019.

Strategic report (continued)

Sustainability

We pursue a sustainability strategy in tandem with all of the Operating Companies in Royal BAM Group. The strategy has three long term aspirations: to become climate positive and resource positive and to enhance the lives of 1 million people by 2020 through activities t o above and beyond our day-to-day operations.

Climate positive

Ahead of the new reporting regulations coming into force from April 2019, we have updated our reporting of energy and carbon emissions.

During 2018 we continued to implement energy efficiency and carbon reduction measures. This included installing LED-only lighting, purchase of 100% renewable energy and deployment of our energy efficient plant and equipment, such as thermally efficient cabins, on new projects. These actions continue to reduce our energy consumption and carbon emissions, resulting in a reduction in our normalised emissions by 11.5% compared to 2017 and by 24% compared to our 2015 baseline.

Construction waste production (tonnes / £1m of turnover) has reduced by 5% from 2017 and we diverted 94% of waste away from landfill. 99.5% of the timber used on our construction sites was procured from verified legal sustainable sources and 94% was delivered to site with a full chain of custody.

Enhancing lives

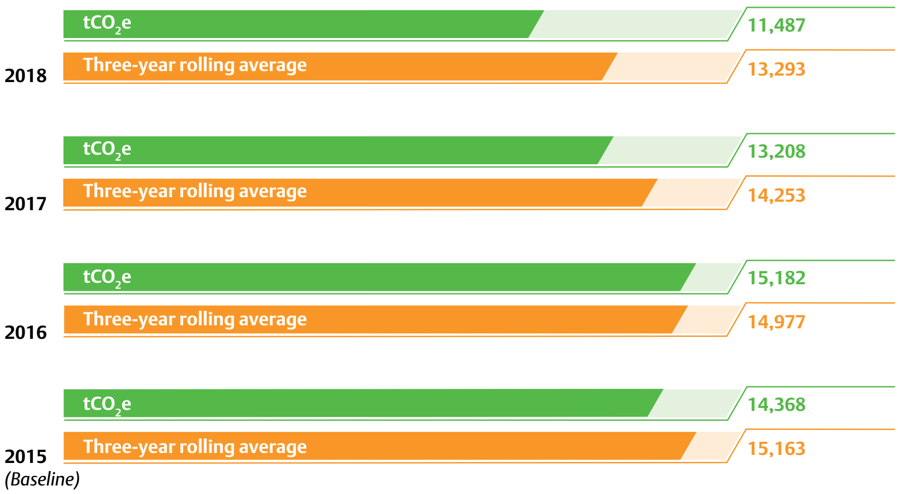
Our enhancing lives programme encompasses a wide range of activities and support, by offering apprenticeships and work experience, supporting our own people to live healthier lives or to improve their education / training, and supporting organisations which have a positive social impact (charities, social enterprises). During 2018 we enhanced the lives of 41,740 people.

As part of our commitment to being a responsible contractor, all BAM Construction sites register with the Considerate Constructors Scheme (CCS). In 2018, our average CCS score was 40, against an industry average of 36. Our sites at the

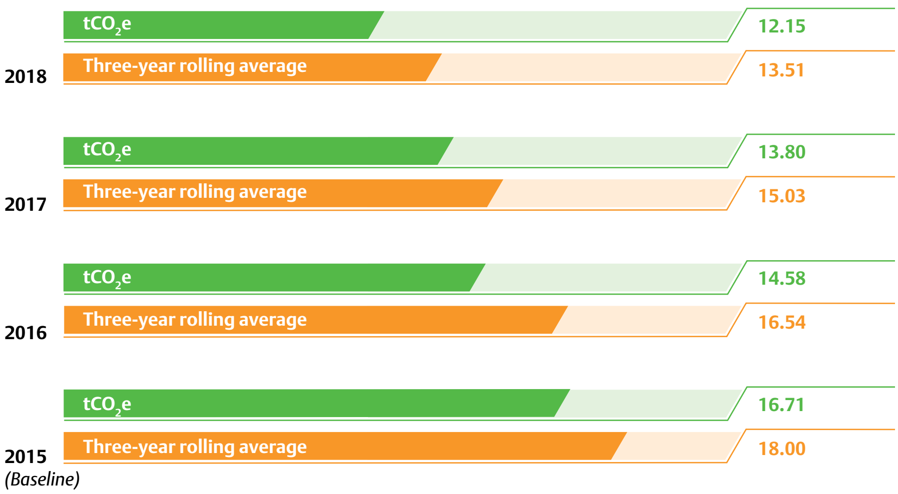
Cheshire Police case study

At Cheshire Police Headquarters, managed by BAM FM, we partnered with our lighting supplier Whitecroft, to carry out a resource efficient lighting upgrade. Whitecroft had taken part in a BAM circular economy workshop, and we challenged them to upgrade lighting, without wasting any material. By altering their production process and developing onsite refurbishment methods, we improved the efficiency of 120 lights, saved two tonnes of material and improved the quality of the space for occupants.

Absolute emissions



Normalised emissions



Strategic report (continued)

University of Southampton and English Martyrs School both achieved the highest BAM score in 2018 achieving 45/50 in their CCS audits.

During 2018, 67 apprentices had experience working on our Construction, FM, office and other business sites, totalling approximately 17,726 days.

BAM Construct UK Ltd is a member of the London Benchmarking Group (LBG), the global standard for measuring, benchmarking, and reporting on corporate community investment. In 2018, we staged 977 activities and events with beneficiary organisations and 31,486 people directly benefitted from our community engagement activity.

In 2018, BAM Construct UK continued our national charity partnership with CLIC Sargent, a charity that supports children with cancer and their families. Throughout the year our staff, with support from our subcontractors, raised £83,000 that will enable CLIC Sargent to provide support to 430 children.

BAM Construct UK is a patron of CRASH the construction industry's charity that supports homeless charities and hospices with building projects. The value of our contribution in 2018 was £25,451 of which £9,302 comprised the value of our professional expertise and donated materials; the balance was from our fundraising.

James Wimpenny
Director and Chief Executive
BAM Construct UK Limited
6 June 2019

2018 UK energy and green house gas emissions

Emissions Source	tCO2e	Quantity	Unit
Electricity	1,741	6,111,681	kWh
Gas	177	962,027	kWh
Gas Oil	2,503	842,714	Ltr
Diesel	879	334,468	Ltr
Company car (business)	395	2,157,667	Miles
Car allowance (business)	2,005	7,724,368	Miles
Electricity (free issue)	884	3,124,202	kWh
Electricity (T&D Losses)	224	9,235,883	kWh
Company car (commuting)	89	486,443	Miles
Car allowance (commuting)	849	3,247,522	Miles
Air miles (domestic)	321	estimate	p/km
Waste to landfill	1,420	27,049	tonnes
Total	**11,488**		

BAM colleagues based in the Western region cycled 2,428km during September as part of a fundraising challenge in aid of CLiC Sargent during Child Cancer Awareness Month in 2018.

Community investment 2018:

£411,201
Total value of contributions (including management costs)

977
Total number of direct beneficiaries

8,163
Total number of volunteering hours by BAM employees

St Peter the Apostle School, West Dunbartonashire

‘BAM often goes above and beyond what they have to do contractually.’

Stephen Ross is Public Private Partnership (PPP) Monitoring Officer - Asset Management for West Dunbartonshire Council, in Scotland, where BAM has delivered four schools under a PPP and is responsible for the maintenance of them as part of a thirty year concession. BAM Construction built the schools and BAM FM provide facilities management.

What stood out about BAM?

‘West Dunbartonshire has some of the highest levels of social deprivation in Scotland and in 2007 the Council decided to create four new schools that would also reach out into the communities by providing much-needed, improved access to community sports and leisure activities.

What stood out about BAM from the start was that they really listened and understood what we wanted. Other bidders tried to shoehorn us into off-the-shelf or one-size-fits-all solutions.’

Focus to perform

‘We are one third of the way through the 30 year concession and what pleases me - ten years on - is that there’s been no drop in standards, no drop in commitment. I think BAM’s ability to listen and their responsiveness is still a feature of the relationship. I don’t really see it as client v provider dynamic, where we are always on different sides of the table, but more as a partnership.

Of course the Financial Close agreement is a hard-nosed contractual document. Sometimes it limits what I can ask for, and it limits what BAM can deliver. But BAM often goes over and above what they have to do contractually. The teachers in the schools, for example, feel they can go direct to BAM and that they get a high level of service. I think we get a first class level of responsiveness from BAM. They are quick to react and willing to go above and beyond the strict terms of the contract in order to deliver a quality service.’

Adding value and evolving together

‘BAM have gone out of their way to help us reduce our carbon footprint. The WDC Schools were among the first to use geo-thermal renewable energy. And, even though the Council is responsible for utilities usage, BAM constantly prompts us with options for better energy performance, such as switching to LED lighting and educating us in best practice on monitoring energy usage. They’ve guided us on lifecycle maintenance, so that we do not necessarily do like-for-like replacement but make the most of technological advances. Even on a practical level, they are great in the schools in educating the children about energy efficiency.

Ten years on, we are at the stage where the buildings are getting older, so maintaining the schools to the highest standard is taking more effort. But I feel very confident in the level of service delivery and our ability to achieve that working together. I think it helps that BAM can deliver every element of a PPP arrangement under one roof, from the financial funding, through to the design, construction, and then the day to day facilities management. Most other contractors have to outsource some of these elements.’

Benefits and outcomes

‘I think the Council is achieving its vision. From the start, the new schools became focal points in the communities. The demand for community usage of the sports facilities has exceeded our expectations. We aimed for 2,350 hours’ usage out of school time but last year had to increase the provision by 1,400 hours.

I am proud that the way we are running the concession together is highly regarded by our stakeholders such as the Scottish Futures Trust and the Scottish Government. The partnership with BAM stands out as a template of how to do it. Much of that is down to BAM’s collaborative approach.’

‘I’d love to work again with BAM’

Kengo Kuma

V&A Dundee was designed by renowned award-winning Japanese architects Kengo Kuma & Associates, following an international competition, and is Kuma’s first building in the UK. BAM completed construction in the spring of 2018 and the museum of design opened to international acclaim the following September.

The vision

'The location for this project was very unique, between water and land. We tried to show the uniqueness of this location by designing a sea cliff, between the water and the land, which is the result of a conversation between nature and artefact. Creating a man-made form that could echo the wind-swept process of erosion from crashing waves required a new level of technology and engineering. We tried to achieve that natural, organic quality by designing this unique facade and the unique shape. New technologies made the organic form possible.'

Focus to perform

'It was a very technically challenging project as the form of the building was so original and had never existed in the past. BAM bravely undertook the task of constructing it and I enjoyed working with BAM enormously.

BAM was an ideal collaborator and a partner in realising this complicated architecture. They shared my vision not only for V&A building but also for KKAA's philosophy of design. I thought our challenge was worthwhile and the result was far better than expected. It was our first time to apply concrete for the 3D building. It was a fresh and eye-opening experience to see that straight lines of pre-cast concrete could be installed in the complicatedly dimensioned structure.

We've learned a lot about the technique from BAM's work and that of its supply chain, and we now think it can be further developed in our future works.

When I visited the site in spring 2016, about a year into its construction, I felt very happy with its progress. I could feel the scale of the spaces and the scale was as I expected. I also felt certain that BAM had all the skill and technical ability to deliver the complexity of the form.

When I returned again after the exterior had been completed, I felt delighted and satisfied with the way the strong façade had been realised and the dynamic scale of the interior, too – just as we had planned.'

The future

'I really hope the building will attract many people from the UK, and around the world, to Dundee and to the museum.

I hope as well that people from Dundee will use it as an everyday part of their City; that they will go there to enjoy the building with its surrounding public space and find a harmonious relationship between the museum, the riverside, the City and themselves.

Everyone who worked on the design and construction should be incredibly proud of what they've achieved. I give my thanks to BAM for their hard work in creating this complex structure.

I'd love to work again with BAM sometime in the future.'

Directors' report

The Directors present their report and group accounts for the year ended 31 December 2018.

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 in 2017 the United Kingdom give notice under Article 50 of the Treaty on European Union of its intention to withdraw from the European Union. At the time of preparing this report the final terms of a withdrawal agreement (if any) are not yet concluded. 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 2018.

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.

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. This includes 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 would be a consciously unbiased employer and set up a working party that met regularly throughout 2018 to review progress on improving diversity and inclusion in BAM.

Directors' report (continued)

Employee involvement

As reported 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 (2017: £4.0m).

Subsidiaries

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

Qualifying third party indemnity provisions for directors

The Group's ultimate parent undertaking, Royal BAM Group 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 2018 and up to the date of the report:

- 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
6 June 2019

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 (IFRS) 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 2018 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 25 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 (IFRS) 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 2018 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.

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 1-24, 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.

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.

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

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 24, 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.

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.

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

0 7 JUN 2019

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	2018 £m	Restated 2017 £m
Continuing operations			
Revenue	3	**949.8**	953.0
Cost of sales		**(889.0)**	(898.3)
Gross profit		**60.8**	54.7
Administration and other expenses		**(38.9)**	(41.4)
Exceptional loss pension GMP equalisation	19	**(7.6)**	-
Other operating income		**0.2**	0.4
Operating profit	5	**14.5**	13.7
Finance income	9	**1.9**	1.1
Share of the profit of associates and joint ventures	4	**3.0**	-
Profit before tax from continuing operations		**19.4**	14.8
Income tax expense	10	**(3.9)**	(2.9)
Profit for the year from continuing operations		**15.5**	11.9
Profit for the year		**15.5**	11.9
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Re-measurement gains / (losses) on defined benefit plans, net of tax		**16.1**	(6.2)
Total comprehensive income for the year		**31.6**	5.7
Profit attributable to:			
Equity holders of the Company		**31.6**	5.7
Total comprehensive income attributable to:			
Equity holders of the Company		**31.6**	5.7

Consolidated statement of financial position

At 31December	Notes	2018 £m	Restated 2017 £m	As at 1 January 2017 £m
Assets				
Non-current assets				
Property, plant and equipment	12	**5.4**	4.5	4.7
Intangible assets	13	**-**	0.4	1.1
Investment in an associate or joint venture	4	**4.2**	-	-
Retentions	14	**12.6**	14.0	12.9
Loans to Joint venture		**4.3**	-	-
Defined benefit pension asset	19	**63.2**	47.0	50.7
Deferred tax assets	10	**0.6**	2.1	2.3
Total non-current assets		**90.3**	68.0	71.7
Current assets				
Inventories		**42.4**	34.5	28.9
Trade and other receivables	14	**263.2**	259.8	263.0
Income tax receivable		**0.8**	-	-
Amounts due from customers for contract work (contract asset)		**43.4**	32.5	47.9
Prepayments and accrued income		**2.7**	2.5	2.9
Cash and short-term deposits		**82.9**	82.3	116.6
Total current assets		**435.4**	411.6	459.3
Total assets		**525.7**	479.6	531.0

Registered number
3311781

Consolidated statement of financial position

At 31 December	Notes	2018 £m	Restated 2017 £m	As at 1 January 2017 £m
Current liabilities:				
Trade and other payables	16	**281.3**	261.1	277.6
Amounts due to customers under construction contracts (contract liability)		**49.3**	49.7	86.2
Income tax payable		**-**	0.8	0.3
Total current liabilities		**330.6**	311.6	364.1
Non-current liabilities:				
Trade and other payables	16	**6.9**	8.7	8.4
Deferred tax liabilities	10	**10.8**	8.0	8.6
Provisions	20	**3.8**	5.3	5.6
Total non-current liabilities		**21.5**	22.0	22.6
Total liabilities		**352.1**	333.6	386.7
Equity				
Share capital	21	**40.0**	40.0	40.0
Retained earnings		**133.6**	106.0	104.3
Equity attributable to equity holders of the Parent		**173.6**	146.0	144.3
Total equity		**173.6**	146.0	144.3
Total equity and liabilities		**525.7**	479.6	531.0

Approved by the Board on 6 June 2019 and signed on its behalf by:

James Wimpenny
Director and Chief Executive

Consolidated statement of changes in equity

For the year ended 31 December 2018	Notes	Share capital £m	Retained earnings £m	**Total £m**
		Attributable to the equity holders of the parent		
Balance at 1 January 2017	21	40.0	110.1	**150.1**
Effect of adoption of new accounting standards		-	(5.8)	**(5.8)**
Balance at 1 January 2017 (restated)		40.0	104.3	**144.3**
Restated profit for the year		-	11.9	**11.9**
Other comprehensive income for the year, net of income tax		-	(6.2)	**(6.2)**
Total comprehensive income for the year		-	5.7	**5.7**
Payment of dividends	11	-	(4.0)	**(4.0)**
Balance at 31 December 2017 (restated)	21	40.0	106.0	**146.0**
Profit for the year		-	15.5	**15.5**
Other comprehensive income for the year, net of income tax		-	16.1	**16.1**
Total comprehensive income for the year		-	31.6	**31.6**
Payment of dividends	11	-	(4.0)	**(4.0)**
Balance at 31 December 2018	21	40.0	133.6	**173.6**

Registered number
3311781

Consolidated cash flow statement

For the year ended 31 December	Notes	2018 £m	Restated 2017 £m
Operating activities			
Profit after tax from continuing operations		**15.5**	11.9
Non-cash adjustments to reconcile profit after tax to net cash flows			
Income tax expense recognised in profit or loss	10	**3.9**	2.9
Depreciation and amortisation of non-current assets	12	**2.0**	2.1
Amortisation of intangible assets	13	**0.4**	0.7
Increase in pension assets	19	**(0.1)**	(2.5)
Result on sale of property, plant and equipment		**(0.2)**	-
Share of result of joint ventures		**(3.0)**	-
Finance income	9	**(1.9)**	(1.1)
Working capital adjustments			
(Increase) / decrease in trade and other receivables	14	**(15.2)**	49.0
(Increase) / decrease in amounts due from customers under construction contracts		**(10.9)**	15.5
Increase in inventories		**(8.0)**	(5.6)
Decrease / (increase) in other assets	14	**9.4**	(46.4)
Increase / (decrease) in trade and other payables	16	**17.5**	(18.2)
Decrease in amounts due to customers under construction contracts		**(0.5)**	(36.4)
Increase in other liabilities		**0.4**	-
Finance income received		**1.9**	1.1
Income tax paid		**(3.9)**	(1.4)
Net cash generated by / (used in) operating activities		**7.3**	(28.4)
Investing activities			
Purchase of property, plant and equipment	12	**(2.9)**	(2.1)
Proceeds from disposal of property, plant and equipment	12	**0.2**	0.2
Net cash used in investing activities		**(2.7)**	(1.9)
Cash flows used in financing activities			
Dividends paid	11	**(4.0)**	(4.0)
Net cash flows used in financing activities		**(4.0)**	(4.0)
Net increase / (decrease) in cash and cash equivalents		**0.6**	(34.3)
Cash and cash equivalents at the beginning of the year		**82.3**	116.6
Cash and cash equivalents at the end of the year		**82.9**	82.3

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 2018 were authorised for issue by the board of directors on 6 June 2019 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 2017 and 2018.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. 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

IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The impact of IFRS 9 can be summarised as follows:

- all financial instruments are held to collect and the Group has not applied for the fair value option. As a result of this, for all financial instruments that meet the Solely Payments of Principal and Interest (SPPI) criterion, the accounting remains at amortised cost;
- from the assessment performed, all financial instruments recognised at amortised costs under IAS 39, have met the SPPI criterion
- Based on the assessment made, the difference between the fair value and amortised cost of the non-current receivables involved is not material.
- the application of the expected credit loss (ECL) approach on assessment of impairment of debt instruments (including contract assets and contract receivables) did not result in a material impact, where under IAS 39 Financial Instruments an incurred loss model was applied;
- since the overall impact of IFRS 9 is not material, the comparative figures have not been restated for IFRS 9 and no additional disclosures have been included.

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. The Group has adopted this standard at the date of initial application. See note 2.5 Revenue recognition for the relevant accounting policies.

The Group used the retrospective method for implementation, which means that the financial statements of 2018 contain comparative figures over 2017 based on IFRS 15. For comparison reasons also the impact on the opening balance 2017 has been established.

At the date of publication of the financial statements 2017, certain areas of attention were still outstanding. These specific areas of attention and discussions at IFRIC contained the following topics:

- Variable considerations will only be recognised to the extent that it is highly probable that no significant reversal of revenue will occur. The valuation threshold therefore increased from 'more likely than not' to 'highly probable'. This means that certain valuations of claims, variation orders, bonuses and penalties, which were previously correctly valued under the probable criterium under IAS 11, do not qualify in full for recognition under IFRS 15. This has a negative effect on equity upon transition and a negative impact on the comparative revenue and result figures of 2017, as shown in the overall impact below. The overall contract profitability is not affected,as BAM expects corresponding revenues, and therefore results, will be recognised in future periods. The IFRS 15 impact is in particular a matter of timing.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

- IFRIC has released an exposure draft in December 2018, with proposed amendments to IAS 37 regarding the measurement of provisions for onerous contracts, as the specific guidance under IAS 11 no longer applies. Previously two options are allowed: using incremental cost or indirect cost. In the exposure draft only the direct contract cost method has been proposed, being 'the costs that relate directly to the contract'. The Group can therefore continue to follow the current method of using direct contract cost regarding the measurement of provisions for onerous contracts, which means that the revenue and contract cost as estimated in applying IFRS15 are also used as a basis for determining whether a contract is onerous. This assessment is made for the contract as a whole, whereby the interaction between loss making performance obligations and profitable performance obligations within one contract has led to a limited impact.
- In general the activities of the Group qualify for recognition of revenue over time in line with current accounting.
- During 2018 the discussion whether land and buildings need to be classified as separate performance obligations has been concluded by IFRIC, which states multiple performance obligations apply. Although such separation may affect the accounting for individual transactions, it does currently not have a material effect on the Group. Therefore no adjustments have been made.

Significant inefficiencies

The Group does not recognise revenue for costs incurred that are attributable to significant inefficiencies in the entity's performance that were not reflected in the price of the contract since these costs do not contribute to any benefits for the customer. This includes costs of unexpected amounts of wasted materials, labour or other resources that were incurred to satisfy the performance obligation. Identification of inefficiencies leads to an adjustment in revenue and, in case of loss making projects, a reclassification between project result and provisions for onerous contracts. No result impact has been identified during the Groups conversion to IFRS 15.

Reclassification of onerous contracts

Under the previous standard, the Group reported the net contract position for each contract as either an asset or a liability. A contract represented an asset where cost incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the progress billings exceed cost incurred plus recognised profits (less recognised losses). Provisions for onerous contracts were included within the net contract position. Under IFRS 15 the provisions for onerous contracts are reclassified from the net contract position to a separate provision for onerous contracts. These provisions show the amount of the onerous contract result which relates to future obligations to be fulfilled under the contract. This amount is determined based on the progress of the performance obligation identified in the contract.

Input measures for revenue recognition

Based on IFRS 15, only one measurement method for recognising revenue over time may be used for similar contracts with similar circumstances throughout the Group: either input based or output based and applied consistently. Under the previous standard both methods were applied. All entities within the Group already used the input method, meaning the revenue is based on the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

Practical expedients

For consistency reasons, a few practical expedients have been applied during the conversion of the Group to IFRS 15. This may have resulted in a slightly higher transition impact than if practical expedients would have been applied, for example because the Group has not used hindsight for the valuation of variable considerations. The Group has assessed the valuation with the knowledge available at the reporting date with the application of the highly probable threshold, meaning the variable considerations have been valued at a later moment in time when the highly probable threshold has been reached. The following table summarises the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 1 January 2017 for each of the line items affected. Line items that were not affected by the changes have not been separately shown. The tables show adjustments of revenue from variable considerations and a reclassification for onerous contracts to provisions. The amounts are shown in £ millions.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

Impact on the consolidated statement of financial position:

Balance sheet (extract)	1 January 2017	considerations	Variable Provisions	Restated 1 January 2017
Deferred tax assets	1.1	1.2	-	2.3
Amounts due from customers for contract work (contract asset)	54.6	(7.0)	0.3	47.9
Other assets	480.8	-	-	480.8
Total assets	536.5	(5.8)	0.3	531.0
Group equity	150.1	(5.8)	-	144.3
Amounts due to customers under construction contracts (contract liability)	88.6	-	(2.4)	86.2
Provisions	2.9	-	2.7	5.6
Other liabilities	294.9	-	-	294.9
Total equity and liabilities	536.5	(5.8)	0.3	531.0

The following tables summarise the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2017 and its consolidated income statement for the year then ended for each of the line items affected. Line items that were not affected by the changes have not been separately shown. There was no material impact on the Group's statement of cash flows for the year ended 31 December 2017. The tables show adjustments of revenue from variable considerations and reclassification for onerous contracts to provisions. The amounts are shown in £ millions.

Balance sheet (extract)	31 December 2017	Variable considerations	Provisions	Restated 31 December 2017
Deferred tax assets	0.9	1.2	-	2.1
Amounts due from customers for contract work (contract asset)	43.3	(11.4)	0.6	32.5
Other assets	445.0	-	-	445.0
Total assets	489.2	(10.2)	0.6	479.6
Group equity	155.4	(9.4)	-	146.0
Amounts due to customers under construction contracts (contract liability)	51.3	-	(1.6)	49.7
Provisions	3.1	-	2.2	5.3
Income tax payable	1.6	(0.8)	-	0.8
Other liabilities	277.8	-	-	277.8
Total equity and liabilities	489.2	(10.2)	0.6	479.6

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

Impact on the consolidated income statement 2017:

	Full year 2017	Variable considerations	Provisions	Restated Full year 2017
Revenue	957.5	(4.5)	-	953.0
Operating expenses	(939.3)	-	-	(939.3)
Operating result	18.2	(4.5)	-	13.7
Result before tax	19.3	(4.5)	-	14.8
Income tax	(3.8)	0.9	-	(2.9)
Profit for the year	15.5	(3.6)	-	11.9
Other comprehensive income for the year	(6.2)	-	-	(6.2)
Net result for the year	9.3	(3.6)	-	5.7

The changes to the accounting policies following IFRS 15 have been adjusted in the respective notes.

IAS 40,'Transfers of Investment Property', has been amended. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

The Group has applied the amendments for the first time for their annual reporting period commencing 1 January 2018 in connection with the 'Annual Improvements to IFRSs – 2014-2016 Cycle'. 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.

There are no other IFRSs or IFRIC amendments as per 1 January 2018 that have a material impact on the Group.

New standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these are expected to have significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 16, 'Leases' was issued by the IASB on 13 January 2016 and replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Lease Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of 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-balance sheet model similar to the accounting for finance leases under IAS 17. Under existing rules, lessees generally account for lease transactions either off-balance if the lease is classified as operating lease or on balance if the lease is classified as finance lease. IFRS 16 requires lessees to recognise nearly all leases on balance which will reflect their right to use an asset for a period of time and the associated liability to pay rentals. The lessee will recognise a liability reflecting the lease payments ('lease liability') and an asset reflecting the right to use the underlying asset during the lease term ('right-of-use asset'). Lessees will be also required to remeasure 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). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessees also need to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

Lessors continue to classify leases as operating or finance, making IFRS 16 approach to lessor accounting, substantially unchanged from its predecessor, IAS 17.

As disclosed in note 18, the Group has several operating lease contracts for buildings, equipment and company cars for which the accounting will change from off balance to on balance, with the exception of certain low-value or short-term leases. Changes may occur due to the present value approach and the timeframe for which the leases need to be taken into account for.

Transition method

This standard applies to annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. Transition options to apply are either a full retrospective approach or a modified retrospective approach. The Group decided to implement this standard on the required date using the modified retrospective approach option 2. This means that the right-of-use-asset will be equal to the lease liability.

The Group applied the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. The Group will use the IFRS 16 definition of a lease only to contracts entered into (or changed) on or after the date of initial application.

Key accounting choices

The Group has chosen to use the following exemptions proposed by the standard:

- non-lease components: non-lease components are not separated from lease components and instead each lease component and any associated non-lease components are accounted for as a single lease component. Variable lease payments such as petrol for cars or variable maintenance fees for buildings are excluded from the measurement of the lease liability;
- short term exemption: leases shorter than 1 year are excluded from on-balance sheet recognition;
- low-value exemption: leases of assets with a fair value less than €5,000 / £4,000 are excluded from on-balance sheet recognition;
- discount rate: the incremental borrowing rate will be used. When the rate is included in the contract this implicit rate will be used otherwise the incremental borrowing rate as periodically provided by the Group will be used.

Expected IFRS 16 impact

The group (as lessee) has a large number of lease contracts that are currently accounted for as operating leases under IAS 17. The Group has performed an IFRS 16 contract analysis on all existing lease contracts as per 30 September 2018 and calculated the IFRS 16 impact as per that date to give insight in the expected impact from IFRS 16. During 2018, processes have been redesigned, an accounting tool to account for IFRS 16 has been implemented and staff has been trained in the application of IFRS 16. During the first quarter of 2019 the Group will continue to update the lease data for the fourth quarter of 2018, thus calculating the final impact on the opening balance of 2019. The identified leases mainly relate to offices, company cars and equipment. The Group is currently in the process of evaluating if all leases have been identified, assessing whether renewal options are applicable, validating the accuracy of the calculations in the lease accounting tool and gathering all data needed to determine the IFRS 16 impact on the 2019 opening balance.

Amendments to IAS 19, 'Employee benefits' address the accounting when a plan amendment, curtailment or settlement occurs during period. The amendments specify that current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement are determined based on updated actuarial assumptions. The amendments clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. The amendments will only change the method for future impact when amendments to plans apply.

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.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

Standard or interpretation	Effective for accounting periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2021
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
Amendments to IAS 28: Long-term interests in associates and joint ventures	1 January 2019
Annual Improvements 2015-2017 Cycle (issued in December 2017)	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 19.

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.

Revenue Recognition

Contract revenue and costs

When the outcome of a construction contract can be estimated reliably, the contract revenue is highly probable and the contract will be profitable, contract revenue and costs are recognised over the period of the contract, usually 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 realised loss based on the 'percentage-of-completion method' is recognised as an expense immediately, while the future expected loss is included in a provision for onerous contracts. When the outcome of a construction contract cannot be estimated reliably, for instance in the early stages of a contract, but it is expected that the cost incurred in satisfying the performance obligation under the contract will be recovered, then revenue will be recognised to the extent of the cost incurred, until the outcome of a contract can be reliably measured.

In determining the stage of completion the Group has efficient, coordinated 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. See paragraph 2.5 for further explanation regarding the recognition of revenue for construction contracts.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.4 Judgements and key sources of estimation uncertainty (continued)

Claims receivable

In the normal course of business the Group recognises contract assets in connection with claims for (partly) satisfied performance obligations due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Claims for satisfied performance obligations are part of the variable considerations under IFRS 15. Project related claims on principals are recognised when it is highly probable that no significant reversal in the cumulative revenue recognised regarding the claim, will occur. The Group considers both the likelihood and the magnitude of a possible revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:

- the amount of consideration is highly susceptible to factors outside the entity's influence. Those factors may include the judgement or actions of third parties like the court or an arbitration committee or weather conditions;
- the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- the entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value;
- the entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances;
- the contract has a large number and broad range of possible consideration amounts.

Insurance claims can be recognised only if it is virtually certain that the amount recognised will be reimbursed. See paragraph 2.5 for further explanation regarding the recognition of variable considerations.

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 10.

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

As per 1 January 2018, the Group has implemented IFRS 15 regarding revenue recognition. IFRS 15 follows a 5-step approach to recognise for revenue, which is set out below. Certain specific topics have been included or referred to the applicable note. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The core principle of IFRS 15 is a 5-step model to distinguish each distinct performance obligation within a contract that the Group has with its customer and to recognise revenue on the level of the performance obligations, reflecting the consideration that the Group expects to be entitled for, in exchange for those goods or services.

The following 5 steps are identified within IFRS 15:

- Step 1 'Identify the contract with the customer': Agreement between two or more parties that creates enforceable rights and obligations (not necessarily written).
- Step 2 'Identify the performance obligations': A promise in a contract with a customer to transfer a good or service to the customer.
- Step 3 'Determine the transaction price': The transaction price is the amount of consideration to which an entity expects to be entitled for in exchange for transferring promised goods or services to a customer.
- Step 4 'Allocate the transaction price': The objective of allocating the transaction price is for the Group to allocate the transaction price to each performance obligation.
- Step 5 'Recognise revenue': the Group recognises revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

Step 1 'Identify the contract with the customer'

IFRS 15.9 requires that five criteria must be met before an entity accounts for a contract with a customer. Once an arrangement has met the criteria, the Group does not assess the criteria again unless there are indicators of significant changes in the facts or circumstances.

The achievement of the preferred bid status is not considered as a contract. As from the achievement of the preferred bid status, costs will be capitalised as an asset if enforceability of right to payment exists. This mainly concerns costs to fulfil the contract. See note 13 for further details.

Multiple contracts are combined and accounted for as a single contract when the economics of the individual contracts cannot be understood without reference to the arrangement as a whole. Indicators that such a combination is required are:

(a) the contracts are negotiated as a package with a single commercial objective;
(b) the amount of consideration to be paid in one contract depends on the price or the performance of the other contract;
(c) the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

A change to an existing contract for a project of the Group is a modification. A contract modification could change the scope of the contract, the price of the contract, or both. A contract modification exists when the Group and the customer approve the modification either in writing, orally, or implied by customary business practices, making the modification enforceable. In accordance with IFRS 15 the Group uses three methods to account for a contract modification:

(a) as a separate contract when the modification promises distinct goods (according to IFRS 15.27) or services and the price reflects the stand alone selling price;
(b) as a cumulative catch-up adjustment when the modification does not add distinct goods or services and is part of the same performance obligation. For the Group, as common within the construction sector, modifications mainly relate to variation orders which do not result in additional distinct goods and services and have to be accounted for as cumulative catch-up adjustment. This is the most common method within the Group given the nature of the modifications;
(c) or as a prospective adjustment when the considerations from the distinct goods or services do not reflect their standalone selling prices.

Step 2 'Identify the performance obligations'

The purpose of this step is to identify all promised goods or services that are included in the contract. Examples of performance obligations are the construction of a building, the delivery of an apartment, the maintenance of a road and so on.

At contract inception, the Group assesses the goods or services promised to a customer, and identifies each promise as either:

(a) a good or service (or a bundle of goods or services) that is distinct; or
(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Promises in a contract can be explicit, or implicit if they create a valid expectation that the Group will provide a good or service based on the Group's customary business practices, published policies or specific statements.

Building and maintenance contracts are usually considered as separate performance obligations because these promises are separately identifiable and the customer can benefit from these promises on their own. Design and build contracts in the context of the Group are usually accounted for as one performance obligation because of not meeting criterion IFRS 15.27 (b). The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. These promises usually represent a combined output for the customer (the construction) for which the design is the input. However if the purpose of the contract is to deliver a separate design after which the client is also able to contract another construction company, the design is considered to be separately identifiable.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

When assets are built at clearly different (unconnected) locations these are generally considered to qualify as separate performance obligations.

Performance obligations with the same characteristics can be bundled into portfolios if the entity reasonably expects that the effects on the financial statements of applying IFRS 15 to the portfolio would not differ materially from applying the standard to all performance obligations individually (for example: apartments).

Onerous contracts

IFRS 15 does not include specific guidance about the accounting for project losses. For the accounting of provisions for onerous contracts, IFRS 15 refers to the guidance relating to provisions in IAS 37. Based on IAS 37, a provision for an onerous contract has to be accounted for on the level of the contract as a whole. This is not necessarily the same as if evaluated on project level, because a contract may include more performance obligations.

The provision for onerous construction contracts only relates to the future loss on the performance to be delivered under the contract. In determining a provision for an onerous contract, the inclusion of variable considerations in the expected economic benefits is based on the same principles as included in step 3 hereafter, including the application of the highly probable constraint for the expected revenue. The provision for onerous contracts is presented separately in the balance sheet.

Step 3 'Determine the transaction price'

The purpose of this step is to determine the transaction price of the performance obligations promised in the contract. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price can be a fixed amount, a variable consideration or a combination of both.

If the consideration promised includes a variable amount such as an unpriced variation order, a claim, an incentive or a penalty, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. IFRS 15 provides two methods for estimating variable considerations: the sum of probability-weighted amounts in a range of possible consideration amounts or the most likely amount of a range of possible consideration amounts. On the level of each performance obligation it has to be decided which approach best predicts the amount of the consideration to which the Group will be entitled.

The Group includes a variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved (called the 'constraint').

The Group is often exposed to uncertainties related to variable considerations such as variation orders and contract claims to customers. The measurement of variation orders and claims requires knowledge and judgement by the Group. Based on IFRS 15, the Group interprets variation orders and contract claims as contract modifications for which the consideration is variable.

For the accounting of unpriced variation orders and claims the following elements are assessed:

(a) determine whether the rights and obligations of the parties to the contract that are created or changed by the variation order or contract claim are enforceable;
(b) estimate the change to the transaction price for the variation order or contract claim;
(c) apply the guidance relating the constraint of the estimate of variable considerations (meaning that it is highly probable that no significant reversal of revenue will occur);
(d) determine whether the variation order or contract claim should be accounted for on a prospective basis or a cumulative catch-up basis.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

For considering the effects of constraining estimates of variable considerations, the Group makes a distinction between claims and variation orders. Variation orders are changes that are clearly instructed by the client creating enforceable rights to payment but for which the price change is not yet determined. Claims however relate to events for which the Group considers to have enforceable rights to a compensation from the client but these are not yet approved by the client. The uncertainty relating to claims is usually higher, because of the absence of an instruction of the client for a change. As a result the risk of a significant reversal of revenue relating to claims is considered to be higher and it might be more difficult to prove that a claim amount meets the IFRS 15 'highly probable' criterion. Please refer to note 2.4 for the related criteria.

Other variable considerations might include bonuses and penalties, for which penalties are considered to be negative variable considerations. The same method as described above needs to be applied, including assessing the constraint.

When determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. As a practical expedient the Group does not account for a financing component if the entity expects at contract inception that the period between the delivery of goods or services and the payment is one year or less.

Step 4 'Allocate the transaction price'

The objective when allocating the transaction price is to allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

To meet the allocation objective, the Group allocates the total transaction price agreed in the contract (or combination of contracts) as determined in step 3 to the performance obligations identified in step 2. This allocation is based on the relative stand-alone selling price (SSP) of the individual performance obligations.

To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices.

The estimation method of IFRS 15 that best reflects the stand-alone selling price for design, construction and maintenance projects is the expected cost plus margin approach. This approach requires to forecast its expected costs of satisfying the performance obligation and then add an appropriate margin for that type of project or service. Costs included in the estimation should be consistent with those costs the Group would usually consider in setting standalone selling prices. Both direct and indirect costs are considered. The Group substantiates for example the average margin on bids for similar projects/services on a stand-alone basis (not in combination with other performance obligations).

Step 5 'Recognise revenue'

The purpose of this step is to determine the amount of revenue to be recognised in a certain period.

The Group recognises revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. For each performance obligation identified in the contract, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The Group needs to determine, at contract inception, whether control of a good or service transfers to a customer over time or at a point in time. Revenue is recognised over time if any of the following three criteria are met:

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
(b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

In general, the Group is building on the land of the customer or improving an asset of the customer, which results in creating an asset that the customer controls as the asset is created. This leads to recognising revenue over time. The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period for a performance obligation. The stage of completion is measured by reference to the contract costs of fulfilling the performance obligation incurred up to the end of the reporting period as a percentage of total expected fulfillment costs under the contract, which is an input measure according to IFRS 15.

Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Payment terms might differ from client to client and country to country, however the Group's standard payment term states 60 days. A contract liability is recognised until the points are redeemed or expired.

When applying a method for measuring progress, the Group excludes the measure of progress of any goods or services for which the entity has not transferred control to a customer. Examples of costs which have to be excluded from the progress measurement, include uninstalled materials, capitalised cost and costs of inefficiencies.

Uninstalled materials
If a customer contributes goods or services (for example, materials, equipment or labour) to facilitate the Groups' fulfilment of the contract, the Group assesses whether it obtains control of those contributed goods or services. If so, the Group accounts for the contributed goods or services as non-cash consideration received from the customer. This is however rare, since control usually is not transferred to the Group and stays with the customer.

Capitalised cost
The capitalised contract cost include cost to obtain the contract, cost to fulfil the contract and set-up cost. The Group recognises capitalised contract cost from the costs incurred to fulfil a contract (for example set-up or mobilisation costs) only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and;
- the costs are expected to be recovered (project result should be sufficient to cover the capitalised contract costs).

Capitalised contract costs shall be amortized over the lifetime of the contract.

Costs of inefficiencies
The Group does not recognise revenue for costs incurred that are attributable to significant inefficiencies in the Group's performance that were not reflected in the price of the contract since these costs do not contribute to any benefits for the customer. This includes costs of unexpected amounts of wasted materials, labour or other resources that were incurred to satisfy the performance obligation.

Not all cost overruns compared to the project budget relate to inefficiencies. Cost overruns that for example relate to price increases, design changes (regardless whether compensated by the client), inaccuracies in the project budget are not inefficiencies. These expenses still contribute to value to the customer and making progress in the delivery of the project. Inefficiency costs relate to wasted items or work performed, which do not reflect any progress in the satisfaction of the performance obligation nor value to the customer. The costs incurred related to significant inefficiencies are directly charged to the income statement. Consequently, significant inefficiency costs are excluded from the measurement of the stage of completion.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

(b) Property development

Sale of property development are recognised in respect of contracts exchanged during the year, provided that no material conditions remain outstanding on the balance sheet date and all conditions are fully satisfied by the date on which the contract is signed.

Further the accounting policies for property development are the same as mentioned under Note 2.5 (b) - Revenue recognition.

(c) Service concession arrangements and other

Under the terms of IFRIC 12 'Service concession arrangements' comprise construction and/or upgrade activities, as well as operating and maintenance activities. Both activities recognise revenue in conformity with IFRS 15. The consideration (concession payments) received is allocated between construction/upgrade activities and operating/maintenance services according to the relative Stand-alone selling prices of the individual performance obligations.

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

Sales of services are recognised when a performance obligations is satisfied. Usually, revenues from services are recognized over time by reference to the stage of completion on the basis of the actual service costs realised respective to the total expected service costs under the contract.

Other revenue includes, among other items, rental income under an operating lease and (sub)lease of property, plant and/or 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.

Construction contracts (contract assets and contract liabilities)

The Group defines a construction contract as a contract specifically negotiated for the construction of an asset. On the balance sheet, the Group reports the net contract position for each (construction) contract as either an contract asset or a contract liability. A contract asset is recognized when the Group has a right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. A contract receivable is an amount to be billed for which payment is only a matter of passage of time. A contract liability is recognized when the Group has an obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

For further guidelines regarding construction contracts see paragraph 2.4 revenue recognition.

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.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

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

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.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

h) Financial Instruments

1) Financial assets

Classification

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired or issued. In principle, the financial assets are held in a business model whose objective is to collect contractual cash flows over the lifetime of the instrument. The Group's financial assets comprise 'other financial assets', ' (trade) receivables – net', 'contract assets', 'contract receivables' and 'cash and cash equivalents' in the balance sheet.

The Group classifies its financial assets in the classes 'debt instruments at amortized costs', 'financial assets at fair value through profit and loss'. Debt instruments at amortized costs are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period which are classified as non-current assets. Debt instruments that do not meet Solely Payments of Principal and Interest (SPPI) criterion (for which the test is performed at instrument level) are classified at other financial assets at fair value through profit or loss.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement, which also applicable for net changes in fair value after initial recognition. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are initially measured at the transaction price determined under IFRS 15. (See note 2.4 for revenue recognition).

Debt instruments, other than those initially measured in accordance with IFRS 15, are subsequently carried at amortised cost using the effective interest method and are subject to impairment. The Group measures debt instruments at amortised cost if both of the following conditions are met:

- the debt instruments is held with the objective to hold financial assets in order toto collect contractual cash flows;
- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and Interest on the principal amount outstanding.

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. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets

If the credit risk on a financial asset, not held at fair value through profit or loss, has not increased significantly since initial recognition, the loss allowance for that financial instrument is the 12-month expected credit losses (ECL). If the credit risk on a financial asset has significantly changed since initial recognition the loss allowance equals the lifetime expected credit losses. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Indications of increase in credit risk for financial assets are if a debtor or a group of debtors:

- experience significant financial difficulty;
- are in default or delinquency in interest or principal payments;
- have increased probability of default;
- other observable data resulting in increased credit risk.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

For all financial assets, not held at fair value through profit or loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, taking into account the value of collateral, if any. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month 2. ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, contract assets and contract receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

2) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables, net of 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.

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 (2017: £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.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

j) Trade and other receivables

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. Trade and other receivables, other than those measured in accordance to IFRS 15, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit loss.

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.

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.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

2.5 Significant accounting policies (continued)

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.

p) Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These are material items of income and expense that have been shown separately due to the significance of their nature or amount.

q) Prior year adjustment

Directors' remuneration inappropriately excluded the amounts receivable under the long term incentive plan operated by Royal BAM Group in relation to qualifying services provided to BAM Construct UK. The long term incentive plan is equity settled by Royal BAM Group and hence a prior year adjustment has been recognised to correctly account for the amounts receivable by the directors of BAM Construct UK as an equity-settled share-based payment transaction, and recognise a corresponding increase in equity as a contribution from the parent.

- The amounts received by the directors' under the long term incentive plan for periods prior to 1 January 2017 was £32k.
- The directors' remuneration note has been updated to correctly disclose the amounts for the current and prior year periods.

r) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the consolidated financial statements (continued)

3. Revenue

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

	2018 £m	Restated 2017 £m
Construction contracts revenue	**892.4**	901.2
Facilities Management services revenue	**57.4**	51.5
Rental income	**-**	0.3
Revenue from continuing operations	**949.8**	953.0

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

	2018 £m	2017 £m
Aggregate amount of costs incurred and recognised profits (less losses) to date	**1,878.5**	2,036.5
Retention asset	**40.2**	45.2
Advances received	**4.9**	4.7

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

Other revenue disclosures

The revenue recognised that was included in the project contract liability balance at the beginning of the period, has been fully recognised in the current year. Within the construction business, regular installments will take place but within the Group never leading to significant pre-financing longer than a year.

The revenue recognised from performance obligations satisfied in previous periods amounts to £nil million. Performance obligations could be satisfied once the technical completion is final and control has been fully transferred to the client. It is common however to finalise the last pricing discussions regarding variable considerations, of which claims, after the control has been transferred. Due to the higher threshold to value variable considerations, claims that are settled for a higher amount than valued, might lead to revenue from previously satisfied performance obligations.

Projects within the construction business might run for a period longer than one year, or might transfer from one calendar year to the other. The revenue expected related to unsatisfied performance obligations (running or won projects) are as follows:

	2018 £m	2017 £m
Up to 1 year	**799.9**	707.4
2 to 5 years	**458.2**	471.4
	1,258.1	1,178.8
Over 5 years	**499.2**	449.7
Total	**1,757.3**	1,628.5

The Group has not used the practical expedient to exclude performance obligations with an original expected duration of one year. These are included in the above mentioned time buckets.

Notes to the consolidated financial statements (continued)

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 50% interest in BAM TCP Atlantic Square Limited (joint venture).

Set out below is the joint venture of the Group as at 31 December 2018 that is individually material to the Group.

Nature of investment in the joint venture in 2018 and 2017:

	Principal activity	Country of incorporation	**% Share 2018**	% Share 2017
BAM TCP Atlantic Square Limited	Property development	United Kingdom	**50%**	-

Set out below are the summarised financial information for the joint venture that is individually material to the Group, including reconciliation to the carrying amount of the Group's share in the joint venture, as recognised in the consolidated financial statements. This information reflects the amounts presented in the financial statements of the joint venture adjusted for differences in the Group's accounting policies and the joint venture.

BAM TCP Atlantic Square Limited	**2018 £m**	2017 £m
Current assets	**19.9**	-
Non-current assets	**-**	-
Current liabilities	**(9.1)**	-
Non-current liabilities	**(2.4)**	-
Net assets	**8.4**	-
Of which:		
Cash and cash equivalents	**11.4**	-
Current financial liabilities	**-**	-
Non-current financial liabilities	**-**	-
Revenue	**19.7**	-
Net result	**6.1**	-
Other comprehensive income	**-**	-
Of which:		
Finance income	**-**	-
Finance expense	**-**	-
Income tax	**1.4**	-
Net result	**6.1**	-
Share in profit rights	**50%**	50%
Share in net result	**3.0**	**-**
Net assets	**8.4**	
Share in profit rights	**50%**	
Carrying amount	**4.2**	

Notes to the consolidated financial statements (continued)

4. Joint venture (continued)

The Group's share in the joint venture BAM TCP Atlantic Square is based on its share in the members' capital. Contractually, the Group has a 50 per cent share in profit rights. In addition, the Group bears the risks in the operational phase until completion of the projects which are acquired by the joint venture. If the Group's share in losses exceeds the carrying amount of the joint venture, further losses will not be recognised, unless the Group has a legal or constructive obligation.

Set out below are the aggregate information of joint ventures that are not individually material to the Group.

	2018	2017
Share in net result joint venture BAM TCP Atlantic Square	**3.0**	-
Share in net result property development joint ventures that are not material to the Group	**-**	-
Share in net result other joint ventures that are not individually material to the Group	-	-
	3.0	-
Share in equity joint venture BAM TCP Atlantic Square	**4.2**	-
Share in equity property development joint ventures that are not material to the Group	**-**	-
Share in equity other joint ventures that are not individually material to the Group	**-**	-
	4.2	-

5. Operating profit

	2018 **£m**	2017 £m
This is stated after charging:		
Depreciation of owned assets	**2.0**	1.9
Amortisation of intangible assets	**0.4**	0.7
Operating lease rentals - land and building	**3.3**	3.3
- plant and vehicles	**1.3**	1.4

6. Auditor's remuneration

	2018 **£000**	2017 £000
Audit of Group's consolidated financial statements	**105**	83
Audit of Parent Company's financial statements	**91**	72
Audit of Parent Company's subsidiaries	**334**	264
Total audit	**530**	419
Audit-related fees	**36**	8
Total fees paid by the Group	**566**	427

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.

Notes to the consolidated financial statements (continued)

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.

	2018 **£m**	Restated 2017 £m
Trade and other payables (Note 16)	**89.3**	93.6
Less: cash and short-term deposits	**(82.9)**	(82.3)
Net deficit	**6.4**	11.3
Shareholders' equity	**173.6**	146.0
Capital and net debt	**180.0**	157.3
Gearing ratio %	**3.6**	7.2

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it assists Royal BAM Group n.v. in meeting the financial covenants attached to the loan facilities and borrowings at the ultimate parent company, 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. Royal BAM Group n.v. are responsible for managing the compliance with the financial covenants, and 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 2018 and 2017.

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.

	2018 **£m**	2017 £m
Staff costs		
Short-term employee benefits	**114.1**	111.8
Social security charges incurred by the employer	**11.8**	11.6
Retirement benefits	**11.6**	10.5
Termination benefits paid	**-**	-
Total staff costs incurred	**137.5**	133.9

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

	2018 **No.**	2017 No.
Staff	**1,664**	1,663
Operatives	**577**	634
	2,241	2,297

Notes to the consolidated financial statements (continued)

8. Staff costs and directors' remuneration (continued)

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.

	2018 £000	2017 £000
Directors' remuneration		
Short-term employee benefits	**851**	1,184
Social security charges incurred by the employer	**117**	110
Total compensation paid	**968**	1,294

The highest paid director received total emoluments (including benefits but excluding social security charges levied on the employer) of £450,514 in 2018 (2017: £501,000).

	2018 £000	2017 £000
Amounts receivable under long term incentive plans	**13**	35
Number of directors who received shares in respect of qualifying services	**1**	1

The highest paid director in 2018 & 2017 received shares under the ultimate group undertaking's long term incentive scheme.

Share Based Payments

The directors of BAM Construct UK participate in a long-term incentive plan operated by the parent Company, Royal BAM Group nv. The long-term incentive plan consists of a conditional share-based compensation plan called the Performance Share Plan. The Performance Share Plan is applicable for members of the Executive Board and selected positions below the Executive Board of Royal BAM Group n.v.

Under the Performance Share Plan the number of performance shares granted is calculated by dividing the award value (expressed as a percentage of fixed remuneration) by the average share price based on the five trading days after the Royal BAM Group n.v. Annual General Meeting ('AGM'). The shares are granted on the sixth trading day following the day of the Royal BAM Group n.v. AGM and vest subject to the achievement of pre-determined performance conditions during a three-year period and provided that the participant is still employed by BAM Construct UK Limited or Royal BAM Group n.v. Participants are not allowed to divest any shareholding until the two year lock-up period has lapsed and the minimum share ownership requirements are met, with the exception of any sale of shares during the lock-up period to finance tax (and other levies) payable at the date of vesting. The value at the date of vesting of the Performance Share Plan is capped at 2.5 times the award value.

The full assumptions applied to the Performance Share Plan are disclosed in the Royal BAM Group n.v. financial statements.

9. Finance income

	2018 £m	2017 £m
Bank interest receivable	**0.4**	0.2
Interest receivable from wider group undertakings	**1.3**	0.9
Capitalised interest	**0.2**	-
	1.9	1.1

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

Notes to the consolidated financial statements (continued)

10. Income tax

a) Income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	2018 £m	Restated 2017 £m
Current income tax:		
Current income tax charge	**2.0**	2.1
Adjustments in respect of current income tax of previous year	**-**	0.1
Current tax charge	**2.0**	2.2
Deferred tax:		
Relating to origination and reversal of temporary differences	**1.9**	0.7
Total deferred tax	**1.9**	0.7
Income tax expense reported in the profit or loss	**3.9**	2.9
Deferred tax relating to items recognised in other comprehensive income during the year:		
Net loss / (gain) on re-measurement gains and losses on defined benefit plans	**3.3**	(1.3)
Income tax recognised in other comprehensive income	**3.3**	(1.3)

b) Reconciliation of the total tax charge

The tax rate charged on profits on ordinary activities for 2018 is higher (2017: higher) than the statutory corporation tax rate enacted in the UK. The corporation tax rate of 19% for 2018 (2017: 19.25%) is derived as a pro-rata figure due to the change in statutory corporation tax rates enacted for the fiscal year (April to March).

	2018 £m	Restated 2017 £m
Accounting profit before tax	**19.4**	14.8
Profit on ordinary activities multiplied by UK Corporation tax rate of 19.00% (2017: 19.25%)	**3.7**	2.8
Adjustments in respect of current income tax of previous years	**0.4**	0.1
Income not taxable for tax purposes	**(0.6)**	0.1
Effect of changes in tax rate	**0.4**	(0.1)
Income tax expense reported in the statement of profit or loss	**3.9**	2.9

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.

Notes to the consolidated financial statements (continued)

10. Income tax (continued)

d) Deferred tax

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

	2018 £m	Restated 2017 £m
Deferred tax asset		
Balance at 1 January	**2.1**	2.3
IFRS 15 reclassification	**0.9**	-
Tax (expense) recognised in the profit and loss	**(2.4)**	(0.2)
Balance at 31 December	**0.6**	2.1

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.

	2018 £m	Restated 2017 £m
Deferred tax liability		
Balance at 1 January	**(8.0)**	(8.6)
Tax income / (expense) recognised in the profit and loss	**0.5**	(0.7)
Tax (expense) / income recognised in the OCI	**(3.3)**	1.3
Balance at 31 December	**(10.8)**	(8.0)

The deferred tax liability is in respect of the Group's defined benefit pension liabilities.
There are no income tax consequences attached to the payment of dividends in either 2018 or 2017 by the group to its shareholders.

11. Dividends paid and proposed

Dividends declared and paid during the year amounted to £4.0m (2017: £4.0m).

12. Tangible fixed assets

	Short leasehold property £m	Plant, machinery and vehicles £m	Fixtures and office equipment £m	**Total £m**
Cost				
Balance at 1 January 2017	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**
Additions	-	1.8	1.1	**2.9**
Disposals	-	(0.8)	(0.4)	**(1.2)**
Reclassification	-	(1.5)	1.4	**(0.1)**
Balance at 31 December 2018	1.1	11.7	13.3	**26.1**

Notes to the consolidated financial statements (continued)

12. Tangible fixed assets (continued)

Depreciation				
Balance at 1 January 2017	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**
Charge for the year	-	1.2	0.8	**2.0**
Disposals	-	(0.8)	(0.4)	**(1.2)**
Reclassification	-	(1.5)	1.4	**(0.1)**
Balance at 31 December 2018	1.1	8.1	11.5	**20.7**
Net book value				
At 1 January 2017	0.1	3.3	1.3	**4.7**
At 31 December 2017	-	3.0	1.5	**4.5**
At 31 December 2018	-	3.6	1.8	**5.4**

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 (2017: £0.2m) 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 £0.5m (2017: £0.2m).

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 £15.7m (2017: £13.6m)

13. Intangible assets

	Software costs £m	**Total £m**
Cost		
Balance at 1 January 2017	3.6	**3.6**
Balance at 31 December 2017	3.6	**3.6**
Additions	-	**-**
Disposal	(2.7)	**(2.7)**
Balance at 31 December 2018	0.9	**0.9**
Amortisation and impairment		
Balance at 1 January 2017	2.5	**2.5**
Charge for the year	0.7	**0.7**
Balance at 31 December 2017	3.2	**3.2**
Additions	-	**-**
Charge for the year	0.4	**0.4**
Disposal	(2.7)	**(2.7)**
Balance at 31 December 2018	0.9	**0.9**
Carrying value		
At 1 January 2017	1.1	**1.1**
At 31 December 2017	0.4	**0.4**
At 31 December 2018	-	**-**

Notes to the consolidated financial statements (continued)

14. Trade and other receivables

	2018 £m	2017 £m
Current		
Trade receivables	**51.0**	40.8
Retentions	**27.6**	30.7
Amounts due from ultimate parent	**177.1**	185.8
Amounts due from other group undertakings	**1.0**	1.2
Other debtors	**6.5**	1.3
	263.2	259.8
Non-current		
Loans to Joint venture	**4.3**	-
Retentions	**12.6**	14.0
	16.9	14.0

The loan to joint venture is to BAM TCP Atlantic Square Limited at 5% interest and is repayable on demand. Apart from trade receivables none of the other assets were subject to impairment. The siginificant change in contract assets is due to normal activity in the construction business. Other changes as mentioned in IFRS 15 (paragraph 118) are not relevant.

Retentions relate to amounts retained by customers on progress billings.

	2018 £m	2017 £m
Allowance for doubtful debts		
Balance at 1 January	**1.4**	0.9
Change for year	**-**	0.6
Utilised	**(0.6)**	(0.1)
Balance at 31 December	**0.8**	1.4
Current	**0.8**	1.4
Non-current	**-**	-

The creation and release of provisions for impaired receivables have been included in 'Administration and other expenses' in the income statement.

	2018 £m	2017 £m
Aged analysis of trade receivables		
Not past due	**43.8**	32.8
60 - 90 days	**4.8**	3.7
90 - 120 days	**0.8**	0.8
Over 120 days	**1.6**	3.5
	51.0	40.8

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.

Notes to the consolidated financial statements (continued)

15. Cash and short-term deposits

	2018 £m	2017 £m
Cash at banks and on hand	**82.9**	82.3

£3.0m (2017: £3.1m) of cash at bank and on hand is not available to be utilised without joint agreement with third parties.

16. Trade and other payables

	2018 £m	2017 £m
Current		
Trade payables	**71.3**	78.8
Accrued costs completed projects	**54.5**	26.6
Accrued costs work in progress	**127.7**	131.9
Amounts due to ultimate parent	**1.5**	-
Other creditors	**16.5**	14.8
Accruals and deferred income	**9.8**	9.0
	281.3	261.1
Non-current		
Retentions	**6.9**	8.7

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

17. 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 £25.6m (2017: £23.1m) and this constitutes 50% (2017: 57%) 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.

Notes to the consolidated financial statements (continued)

17. Financial assets and liabilities (continued)

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 2018	Carrying amount	<1 year	1-5 years	>5 years
Trade and other payables	96.2	89.3	6.9	-
				-

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	-

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.

18. 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:

	2018 £m	2017 £m
Future minimum rentals payable		
Within one year	**4.6**	5.0
After one year but not more than five years	**9.8**	11.7
After five years	**2.4**	3.9
	16.8	20.6

Notes to the consolidated financial statements (continued)

18. Obligations under leases and hire purchase agreements (continued)

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 nil (2017: £0.1m).

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

	2018 £m	2017 £m
Future minimum rentals receivable		
Within one year	-	0.1
After one year but not more than five years	-	-
After five years	-	-
	-	0.1

19. 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.

GMP equalisation

Following the recent High Court judgement in the Lloyds case, overall pension benefits in the United Kingdom are equalised to eliminate inequalities between male and female participants in Guaranteed Minimum Pensions ("GMPs"). This equalization affects all contracted-out pension schemes with benefits earned between 17 May 1990 and 5 April 1997 and will mean higher benefits for some members and therefore higher overall costs. Under IAS 19/FRS 101, the additional liability is immediately recognized in 2018 as a plan amendment. The additional liability for the Group amounts to £7.6 million and has been recognised as an exceptional loss in the statement of comprehensive income.

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.

Notes to the consolidated financial statements (continued)

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

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	**2018 £m**	2017 £m
Ordinary contributions	**0.5**	0.7
Special contributions	**3.7**	2.5
	4.2	3.2

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 2019)
- HBG GA Scheme - Mercer Limited (November 2016)

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 2018**	31 December 2017
Discount rate(s)	**2.8%**	2.5%
Expected rate(s) of salary increase	**3.6%**	3.6%
Pension growth rate	**2.40-3.30%**	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, £1.0m (2017: £0.8m) has been included in the consolidated statement of comprehensive income as cost of sales and the remainder in administration expenses.

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

HBG UK / HBG GA Schemes	**2018 £m**	2017 £m
Net finance income	**1.2**	1.5
Administration expenses	**(1.0)**	(0.8)
	0.2	0.7

Amounts recognised in other comprehensive income:

	2018 £m	2017 £m
HBG UK Scheme		
Return on plan assets (excluding amounts included in net interest expense)	**15.0**	(15.8)
Actuarial gain arising from changes in demographic assumptions	**(6.0)**	-
Actuarial (gain) / loss arising from changes in financial assumptions	**(21.3)**	22.0
Actuarial (gain) arising from experience adjustments	**-**	0.9
Total remeasurements recognised in other comprehensive (income) / loss	**(12.3)**	7.1
Tax effect	**2.1**	(1.2)
Other comprehensive income / (loss) (net of tax)	**(10.2)**	5.9

Notes to the consolidated financial statements (continued)

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

HBG GA Scheme

Return on plan assets (excluding amounts included in net interest expense)	**4.5**	(4.7)
Actuarial (gain) arising from changes in demographic assumptions	**(3.9)**	-
Actuarial (gain) / loss arising from changes in financial assumptions	**(4.0)**	5.1
Actuarial (gain) arising from experience adjustments	**(3.7)**	-
Total remeasurements recognised in other comprehensive income	**(7.1)**	(0.4)
Tax effect	**1.2**	(0.1)
Other comprehensive (income) / loss (net of tax)	**(5.9)**	0.3

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:

	2018 £m	2017 £m
Present value of funded defined benefit obligation	**(427.9)**	(471.1)
Fair value of plan assets	**491.1**	518.1
	63.2	47.0

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

HBG UK / HBG GA Schemes	**2018 £m**	2017 £m
Opening defined benefit obligation	**471.1**	456.9
Past service gain	**7.6**	-
Interest cost	**11.5**	12.4
Actuarial loss	**(38.9)**	28.0
Benefits paid	**(23.3)**	(26.2)
Closing defined benefit obligation	**427.9**	471.1

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.

Notes to the consolidated financial statements (continued)

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

The average duration of the defined benefit obligation:

HBG UK Schemes	**2018 £m**	2017 £m
Implied life expectancy at 65		
Male currently aged 65	**22.7**	22.8
Male currently aged 40	**24.4**	24.2
Female currently aged 65	**24.3**	24.6
Female currently aged 40	**26.1**	26.1

HBG GA Schemes	**2018 £m**	2017 £m
Implied life expectancy at 65		
Male currently aged 65	**22.4**	22.7
Male currently aged 40	**24.6**	25.0
Female currently aged 65	**24.0**	24.4
Female currently aged 40	**26.3**	26.8

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 2018	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(30.3)	35.0
Discount rate	1.00%	(56.9)	75.4
Future salary increases	0.50%	0.9	(0.9)
Inflation assumption	0.50%	30.4	(29.5)
Life expectancy	1 year	13.4	(13.4)

		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)

Notes to the consolidated financial statements (continued)

19. Pensions and other post-employment benefit plans (continued)
HBG GA Scheme

As at December 2018	Change in assumption	Impact on defined benefit obligation £m Increase in assumption	Decrease in assumption
Discount rate	0.50%	(6.5)	7.3
Discount rate	1.00%	(12.1)	15.9
Future salary increases	0.50%	-	(0.2)
Inflation assumption	0.50%	2.8	(3.2)
Life expectancy	1 year	2.7	(2.7)

As at December 2017	Change in assumption	Impact on defined benefit obligation £m 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)

The average duration of the defined benefit plan obligation for the HBG UK Scheme was 20 years (2017: 20 years).

The average duration of the defined benefit plan obligation for the HBG GA UK Scheme was 22 years (2017: 22 years).

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

HBG UK / HBG GA Schemes	**2018 £m**	2017 £m
Opening fair value of plan assets	**518.1**	507.6
Actuarial (gain) / loss	**(19.5)**	20.4
Contributions from the employer	**4.2**	3.2
Benefits paid	**(23.3)**	(26.2)
Administration costs	**(1.1)**	(0.8)
Finance income	**12.7**	13.9
Closing fair value of plan assets	**491.1**	518.1

Fair value of plan assets

	2018 £m	2017 £m
HBG UK Scheme		
Equity and property (quoted)	**24.7**	112.7
Corporate bonds (quoted)	**39.9**	39.6
Government bonds (quoted)	**10.2**	4.0
Commodities (quoted)	**0.3**	1.2
Cash and cash equivalents	**23.0**	7.5
Other - liability hedge (quoted)	**276.9**	217.0
Other – loans (quoted)	**10.1**	21.0
Fair value of plan assets	**385.1**	403.0

Notes to the consolidated financial statements (continued)

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

HBG GA Scheme

Equity and property (quoted)	**-**	19.3
Cash and cash equivalents	**10.1**	0.5
Debt instruments (quoted)	**93.5**	73.5
Real estate (quoted)	**2.4**	3.5
Others	**-**	18.3
Fair value of plan assets	**106.0**	115.1

In line with the funding requirements of the triennial valuation, the Group expects to make a contribution of £7.0m to the defined benefit plans during the next financial year (2017: £3.0m). In the subsequent 4 years (years 2-5) the Group expects to make total contributions of £28.0m 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.

	2018 **£m**	2017 £m
Legal & General Defined Contribution Scheme		
Group contributions	**11.1**	10.5

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:

	2018 **£m**	2017 £m
TUPE related pension plans		
Company contributions	**0.7**	0.5

Notes to the consolidated financial statements (continued)

20. Provisions and contingent liabilities

	Reorganisation	Onerous contract	Onerous lease £m	Insolvency Insurer £m	**2018 £m**	Restated 2017 £m
Balance at 1 January	-	2.2	2.6	0.5	**5.3**	2.9
Arising in the year	0.5	-	-	0.4	**0.9**	2.7
Utilised	(0.5)	(1.2)	(0.6)	(0.1)	**(2.4)**	-
Unused amounts reversed	-	-	-	-	**-**	(0.3)
Balance at 31 December	-	1.0	2.0	0.8	**3.8**	5.3
Current	-	-	-	-	**-**	-
Non-current		1.0	2.0	0.8	**3.8**	5.3

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 provision on the insurer insolvency relates to claims previously covered by Builders Accidents Insurers (BAI) that went into administration in previous years.

The onerous contact provision shows the amount of the onerous contract result which relates to future obligations to be fulfilled under the contract. This amount is determined based on the progress of the performance obligation identified in the contract.

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 2018 there were £nil (2017: nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2018 was £nil (2017: £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 2018 there were nil (2017: nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2018 was £nil (2017: £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 2018 there were £nil (2017: £nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2018 was £nil (2017: £nil). This guarantee is not expected to give rise to any loss.

During the year the Royal BAM Group n.v. maintained a revolving credit facility, to which BAM Construct UK Ltd and other Group entities, is a guarantor. The revolving credit facility, was €400m (2017: €400m), with a maturity date of March 2023. The utilisation of this facility as at

31 December 2018 was £nil (2017: £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.

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.

Notes to the consolidated financial statements (continued)

21. Authorised and issued share capital

	2018 Number	2018 £m	2017 Number	2017 £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

22. Subsequent events

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 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 2018.

23. Other related party transactions

Apart from transactions with related Group entities, no other related party transactions were recorded for 2018 (2017: 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:

	2018 £m	2017 £m
Dividends paid out in the year		
Final declared and paid of £0.10 per share (2017: £0.10 per share)	**4.0**	4.0
Royal BAM Group n.v. (ultimate parent) - loan @ 0.49% (2017: 0.49%)	**177.1**	185.9
Amount owed to Royal BAM Group n.v. (ultimate parent) - trade payables	**(1.5)**	(0.1)
Total amount outstanding at 31 December	**175.6**	185.8

For the year ended 31 December 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: nil).

Details about guarantees provided to banks for loans made to related Group entities are included in Note 20.

24. 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)

25. 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 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
BAM TCP Atlantic Square Limited (Joint Venture)	50%	United Kingdom	1	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	2018 £m	2017 £m
Assets			
Non-current assests			
Property, plant and equipment	8	**1.5**	1.7
Intangible assets	9	**-**	0.4
Investments in subsidiaries	10	**81.9**	81.9
Defined benefit pension asset	14	**63.2**	47.0
Deferred tax assets	6	**0.8**	0.7
Total non-current assets		**147.4**	131.7
Current assets			
Other receivables	11	**2.7**	2.4
Amounts due from ultimate parent	11	**177.1**	185.9
Amounts due from group undertakings	11	**25.2**	8.3
Prepayments and accrued income		**1.3**	1.5
Cash and short term deposits		**33.7**	22.3
Total current assets		**240.0**	220.4
Total assets		**387.4**	352.1

Company statement of financial position (continued)

At 31 December	Notes	2018 £m	2017 £m
Current liabilities			
Trade and other payables	12	**16.6**	20.9
Amounts owed to group undertakings	12	**229.3**	202.4
Total current liabilities		**245.9**	223.3
Non-current liabilities			
Deferred tax liabilities	6	**10.8**	8.0
Provisions	12	**2.8**	3.1
Total non-current liabilities		**13.6**	11.1
Total liabilities		**259.5**	234.4
Equity			
Share capital	16	**40.0**	40.0
Retained earnings		**87.9**	77.7
Equity attributable to owners of the Company		**127.9**	117.7
Total equity		**127.9**	117.7
Total equity and liabilities		**387.4**	352.1

Approved by the board on 6 June 2019 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 2017	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**
Profit for the year		-	(1.9)	**(1.9)**
Other comprehensive income for the year, net of income tax		-	16.1	**16.1**
Total comprehensive income for the year		-	14.2	**14.2**
Payment of dividends	7	-	(4.0)	**(4.0)**
Balance at 31 December 2018	16	40.0	87.9	**127.9**

Registered number
3311781

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 2018 were authorised for issue by the board of directors on 6 June 2019 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 27.

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 2017 and 2018 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), (e), (g), (h), (j) to (m), (n)(ii), (o)(ii), (p), (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;
   iii) paragraph 118 (e) of IAS 38 Intangible Assets; and
   iv) paragraphs 76 and 79(d) of IAS 40 investment Property;
g) The requirements of paragraphs 10 (d), 10 (f), 16, 38A to 38D, 40A to 40D iii 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 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting estimates and errors;
j) The requirements of paragraph 17 and 18A of IAS 24 and 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 130f (ii), 130f (iii), 134 (d) to 134 (f) and 135 (c) to 135 (e) of IAS 36 Impairment of Assets; and
l) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15.

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

	2018 **£000**	2017 £000
Audit of Group's consolidated financial statements	**105**	83
Audit of Parent Company's financial statements	**91**	72
Audit of Parent Company's subsidiaries	**334**	264
Total audit	**530**	419
Other assurance services (non-audit)	**36**	8
Total fees paid by the Company	**566**	427

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 2018 and 2017 are:

	2018 £m	2017 £m
Current income tax		
Current income tax credit	**(0.1)**	(0.6)
Adjustments in respect of current income tax of previous year	**0.1**	-
Current tax charge / (credit)	**-**	(0.6)
Deferred tax:		
Relating to origination and reversal of temporary differences	**(0.5)**	0.6
Total deferred tax	**(0.5)**	0.6
Income tax income reported in the profit or loss	**(0.3)**	-
Deferred tax relating to items recognised in other comprehensive income during the year:		
Net loss / (gain) on re-measurement gains and losses on defined benefit plans	**3.3**	(1.3)
	3.3	(1.3)

b) Reconciliation of the total tax charge

The tax rate charged on profits on ordinary activities for 2018 is lower (2017: lower) than the statutory corporation tax rate enacted in the UK. The corporation tax rate of 19.00% for 2018 (2017: 19.25%) is derived as a pro-rata figure due to the change in statutory corporation tax rates enacted for the fiscal year (April to March).

	2018 £m	2017 £m
Accounting loss / profit before tax	**2.3**	0.3
Profit on ordinary activities multiplied by UK Corporation tax rate of 19.00% (2017: 19.25%)	**(0.5)**	0.1
Income not taxable for tax purposes	**-**	-
Adjustments in respect of prior year	**0.1**	-
Expenses not deductible for corporation tax purposes	**-**	-
Effect of changes in tax rate	**0.1**	(0.1)
Income tax expense reported in the statement of profit or loss	**(0.3)**	-

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 parent company financial statements (continued)

6. Income tax (continued)

d) Deferred tax

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

	2018 £m	2017 £m
Deferred tax asset		
Balance at 1 January	**0.7**	0.7
Tax (expense) recognised in the profit and loss	**0.1**	-
Balance at 31 December	**0.8**	0.7

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:

	2018 £m	2017 £m
Deferred tax liability		
Balance at 1 January	**(8.0)**	(8.6)
Tax (expense) recognised in the profit and loss	**0.5**	(0.7)
Tax income recognised in the OCI	**(3.3)**	1.3
Balance at 31 December	**(10.8)**	(8.0)

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

There are no income tax consequences attached to the payment of dividends in either 2018 or 2017 by the company to its shareholders.

7. Dividends paid and proposed

Dividends declared and paid by the Company during the year amounted to £4.0m (2017: £4.0m).

Notes to the parent company financial statements (continued)

8. Property, plant and equipment

	Short leasehold property £m	Plant and equipment £m	**Total £m**
Cost			
At 1 January 2017	1.1	10.6	**11.7**
Additions	-	0.9	**0.9**
Disposals	-	-	**-**
At 31 December 2017	1.1	11.5	**12.6**
Additions	-	0.8	**0.8**
Disposals	-	-	**-**
At 31 December 2018	1.1	12.3	**13.4**
Depreciation			
At 1 January 2017	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**
Charge for the year	-	1.0	**1.0**
Disposals	-	-	**-**
At 31 December 2018	1.1	10.8	**11.9**
Net book value			
At 1 January 2017	0.1	1.7	**1.8**
At 31 December 2017	-	1.7	**1.7**
At 31 December 2018	-	1.5	**1.5**

Notes to the parent company financial statements (continued)

9. Intangible assets

	Software costs £m	**Total £m**
Cost		
At 1 January 2017	3.6	**3.6**
At 31 December 2017	3.6	**3.6**
Additions	-	**-**
Disposals	(2.7)	**(2.7)**
At 31 December 2018	0.9	**0.9**
Amortisation and impairment		
At 1 January 2017	2.5	**2.5**
Amortisation	0.7	**0.7**
Impairment	-	**-**
At 31 December 2017	3.2	**3.2**
Additions	-	**-**
Amortisation	0.4	**0.4**
Disposals	(2.7)	**(2.7)**
At 31 December 2018	0.9	**0.9**
Carrying value		
At 1 January 2017	1.1	**1.1**
At 31 December 2017	0.4	**0.4**
At 31 December 2018	-	**-**

10. Investments

	Investments in subsidiaries £m	**Total £m**
Cost		
Balance at 1 January 2017	81.9	**81.9**
Additions	-	**-**
Impairments	-	**-**
Balance at 31 December 2017	81.9	**81.9**
Additions	-	**-**
Impairments	-	**-**
Balance at 31 December 2018	81.9	**81.9**
Carrying value		
At 1 January 2017	81.9	**81.9**
At 31 December 2017	81.9	**81.9**
At 31 December 2018	81.9	**81.9**

For a list of subsidiaries in which BAM Construct UK Limited has an investment see note 25 in the Group Financial Statements.

Notes to the parent company financial statements (continued)

11. Trade and other receivables

	2018 £m	2017 £m
Current		
Other receivables	**2.7**	2.4
Amounts due from ultimate parent	**177.1**	185.9
Amounts due from other group undertakings	**25.2**	8.3
	205.0	196.6

12. Trade and other payables

	2018 £m	2017 £m
Current		
Amounts due to subsidiaries	**229.3**	202.3
Amounts due to other group undertakings	**-**	0.1
Other payables	**13.0**	16.1
Accruals	**3.6**	4.8
	245.9	223.3
Non-current		
Provisions	**3.4**	3.1
Deferred tax liability	**10.8**	8.0
	14.2	11.1

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:

	2018 £m	2017 £m
Future minimum rentals payable		
Within one year	**3.1**	3.5
After one year but not more than five years	**7.4**	8.9
After five years	**2.1**	3.4
	12.6	15.8

Notes to the parent company financial statements (continued)

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

		2018		2017
	Number	**£m**	Number	£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.

Coal Drops Yard, King's Cross

'By working and learning together we can solve challenges.'

David Partridge - Argent LLP

The added value of collaboration

'If all parties take time to understand each others' risks there is a better chance of finding equitable solutions in the best interests of all stakeholders. Honest, open collaboration is a two-way process. So I would say to contractors: do not be afraid to challenge us. It's important to take time to understand our drivers as early as possible and be courageous and imaginative in offering solutions.

We involved BAM and its key subcontractors early on, some 12 months before the start of our project to create an innovative retail quarter at Coal Drops Yard, King's Cross, in London. It was important that BAM understood the risks associated with a listed building and also the particular geometry and interface of a new roof that would overarch and link the structure of the former yard buildings. Early involvement enabled BAM to de-risk the construction and to meet key dates.'

Learning from each other

'The way we deliver projects and the way the construction industry works has to change. We need to be innovative and push the boundaries of traditional contracting. By working and learning together we can innovate imaginatively.'

Benefits of digitisation

'Looking to the future, the linkage between design and offsite manufacture is key but, without digitisation, design would be the weak link. Although BIM has become embedded in what we do, there is still some work to do to get everyone on the same page.

Digitisation enables us to innovate. It leads to greater efficiency in design because of the opportunities to challenge and co-ordinate the design.

We are interested in the contribution digitisation can make to asset management by extending the digital building model to include a fully digitised building management system to enable efficient facilities management. We need to consider more fully the potential of digitisation in sequencing and managing residential projects prior to executing them.'

Future relationship

'Argent and BAM have had a collaborative relationship stretching back more than 21 years. BAM needs to continue to challenge traditional ways of doing things and be willing to push boundaries in order to improve design, delivery and the occupier experience.'

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- BAM Construct UK Limited Report and Accounts
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