BAM Properties Limited

2018

Annual Report and Accounts

www.bam.co.uk

Capital Square, Edinburgh

Contents

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

Cover image:
Altantic Square, Glasgow

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

Registered number
3283033

Atlantic Square

BAM in brief

BAM Properties is the commercial property business of BAM in the UK and is a 100% subsidiary of BAM Construct UK.

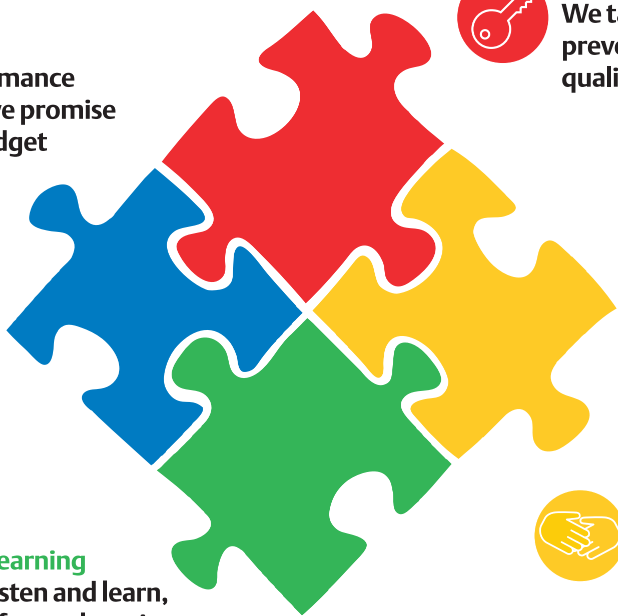
BAM Construct UK operates throughout England, Scotland and Wales and engages in property development, design, services engineering, construction and facilities management services.

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

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

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

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



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

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

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

> The quality of the current development projects provides an excellent platform for future investment and growth.

Dougie Peters
Managing Director, BAM Properties

Group Strategic report

The directors present their strategic report for the year ended 31 December 2018, which reports on BAM Properties strategy and financial results, the progress of its operating companies and performance on sustainability.

Review of the business

	2018	2017
	£000	£000
Turnover	-	243
Profit /(loss) before taxation	**1,125**	(2,172)
Profit /(loss) after taxation	**1,482**	(2,009)

The UK property market performed steadily through 2018 in the face of continuing political and economic uncertainty, both domestically and further afield. The unresolved Brexit process remains a significant source of uncertainty for UK business going forward. Despite this the UK retained its appeal as a location for international property investors. London was resilient and development opportunities exist in the good regional locations where a supply/demand imbalance still remains. Retail property continues to be challenging with over supply due to the structural changes in that market.

The good progress made by the group in 2017 was continued in 2018. The current projects are well placed to generate profits over the next few years and provide an excellent platform for investment in the follow-on development opportunities.

The development agreement to provide the Government Property Agency's Glasgow Hub at the site at Atlantic Square, Glasgow was concluded in early 2018. This project is in joint venture with Taylor Clark. HMRC has pre-let all of Building 1, equating to c. 187,000 sq ft of Grade A office accommodation. Building 1 has been forward sold to Legal & General. The joint venture is speculatively developing Building 2 of c. 97,000 sq ft in tandem with the development of Building 1 into a Glasgow city centre market that continues to have a constrained supply of new Grade A office accommodation.

In conjunction with Hermes, development of the prime Grade A offices at Capital Square in the centre of Edinburgh has continued. The development comprises c. 122,000 sq ft of accommodation and is scheduled for completion in Q2 2020. The office building is already 56% let with lettings agreed to two firms of solicitors, Brodies and Pinsent Masons. Again there is very limited supply of new Grade A offices in Edinburgh city centre with Capital Square the only development on site.

During 2018 the group submitted a planning application for a Private Rental Sector (PRS) residential development of 463 apartments on part of the Latitude, Leeds office development site. Planning consent was granted in early January 2019. Good investor interest exists in this development opportunity and the group is keen to acquire further opportunities in this sector which is forecast to grow significantly over coming years.

At the end of 2018 the sale of the final site at the Lydiard Fields development in Swindon was agreed and this sale completed in early 2019. The Group also received its final profit in the year from the student accommodation development at Stoddart Street, Newcastle which was undertaken in the BAM Connislow joint venture.

The Group is actively seeking further new development opportunities with high quality, sustainable development sites in prime locations being sought. Site selection remains paramount.

Strategic report (continued)

At the end of the year the group was debt free, and had office, retail and residential projects where development is either ongoing or completed in Edinburgh, Glasgow, Leeds, Swindon and High Wycombe.

At the year-end 11,380sq m of property developments were being undertaken by the Group.

Principal risks and uncertainties

Competitive risks

The group is exposed to typical commercial risks experienced by commercial organisations operating within the same competitive market of property development in the UK.

The group seeks to mitigate these risks by focusing on providing high quality buildings in prime locations and by having a mixed portfolio of office and retail projects. The group also operates a rigorous appraisal and site selection process including a thorough assessment of letting risk when considering new development opportunities.

Legislative risks

The group is required to comply with all applicable legislation, but in particular covering activities such as the Construction Industry Scheme, health and safety and relevant building standards for construction and property.
This is achieved through established and readily available best practice procedures. The group also makes use of specialists within the BAM Construct UK Limited group with the relevant knowledge and experience in order to proactively manage these potential risks and ensure compliance at the highest level.

Liquidity Risk

Liquidity risk and cash flow risk are actively managed through the preparation and monitoring of plans, budgets and quarterly forecasts.

No significant uncovered risks were identified up to the date of these accounts.

On behalf of the Board.

Dougie Peters
Managing Director

0 9 SEP 2019

PRS Latitude, Leeds

Directors' report

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

The company's registered number is 3283033.

Group results and dividends

The profit of the group for the year is set out in the income statement on page 12.

The directors are unable to recommend the payment of a dividend in respect of the year (2017: £nil).

Principal activities

The principal activities of the BAM Properties Limited group ('the group') are the development of commercial properties and the provision of construction services. The group also makes selective property investments. These activities are expected to continue in the future.

Future developments

The focus will be on identifying and investing in new development sites together with seeking ways of securing development on existing sites through alternative uses where appropriate. Sectors away from the group's traditional markets will be examined for development potential. The group is well placed to secure well priced acquisition opportunities when they appear.

Any investment will be in prime development projects with quality of site selection remaining paramount. Completed projects will continue to be of market leading standards thus ensuring the best outcome for both tenants and investors.

Directors

The following served as directors during the year ended 31 December 2018 and subsequent to that date:

- D Peters
- J Wimpenny (appointed 1 January 2018)

Financial risk management

The company is part of the BAM Construct UK Limited group. Financial risk management is an integral part of the BAM Construct UK Limited group's management processes. Stringent policies designed to identify, manage and limit both existing and possible risks are applied at various management levels. The BAM Construct UK Limited group is exposed to credit risk on financial instruments such as liquid assets and trade debtors. Credit risk is managed by placing its investments in liquid assets across high quality financial institutions. In line with normal business practice the BAM Construct UK Limited group operates credit management procedures.

The company, along with other group companies, is party to a guarantee in respect of any individual company overdraft balance within a cash pooling facility. The directors have carefully considered the risk associated with the provision of this guarantee and are of the opinion that the guarantee will not give rise to any loss for the company in the foreseeable future.

Value risk is considered at BAM Properties Limited level as part of the review of management forecasts and at a project level as part of the appraisal process and is monitored on an ongoing basis.

Liquidity risk and cash flow risk are actively managed through the preparation and monitoring of Medium Term Plans, Budgets and quarterly forecasts.

The group finances its development projects using a mix of project-specific bank facilities and loans from its parent, BAM Construct UK Limited. In evaluating potential new projects the directors consider financing as one element of their appraisal. In respect of existing projects the directors continually monitor performance against expectations including loan covenant compliance and the potential requirement for refinancing.

The strong cash balances within the BAM Construct UK Limited group of companies assist in mitigating the potential interest rate and cashflow risks associated with the credit markets for funding future property developments.

Financial risk management (continued)

The group is well placed to take advantage of new development opportunities and to bring properties under development to the market at an appropriate point in the future when investment market conditions suit. Potential new developments are appraised using stringent financial assumptions with regard to forecast tenant demand, rental values and expected yields, as well as assessments of construction inflation.

Qualifying third party indemnity provisions for directors

The company's ultimate parent undertaking 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.

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the company has dispensed with the obligation to appoint auditors annually. Ernst & Young LLP have expressed their willingness to continue in office for the forthcoming year.

On behalf of the Board.

Dougie Peters
Managing Director

0 9 SEP 2019

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.
In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRS 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 group will continue in business.

The directors are responsible for keeping proper 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 Properties Limited

Opinion

We have audited the financial statements of BAM Properties Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which the Group statement of comprehensive income, Group and Parent company statement of financial position, Group statement of changes in equity and the Group cash flow statement and the related notes 1 to 18, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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 https://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 9 SEP 2019

Group statement of comprehensive income

For the year ended 31 December 2018	Notes	**2018 £000**	2017 £000
Turnover	3	**–**	243
Cost of sales		**(189)**	(689)
Gross loss		**(189)**	(446)
(Impairment) / Reversal of impairment on amounts due from group undertakings		**(212)**	45
Administrative expenses	4	**(2,076)**	(2,039)
Other operating income	5	**387**	293
Group operating loss		**(2,090)**	(2,147)
Share of operating profit in joint venture		**3,073**	–
Total operating profit: group and share of joint venture		**983**	(2,147)
Interest income		**365**	2
Interest expense	7	**(223)**	(27)
Profit / (Loss) on ordinary activities before taxation		**1,125**	(2,172)
Taxation	8	**357**	163
Profit / (Loss) for the financial year		**1,482**	(2,009)
Other comprehensive income		**17**	–
Total comprehensive income for the year		**1,482**	(2,009)

All items in the income statement relate to continuing operations.

Registered number
3283033

Group and Parent company statement of financial position

At 31 December 2018	Notes	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Assets					
Retention		**399**	**–**		
Investment in subsidiaries	9	**–**	**–**	–	–
Investment in joint ventures	9	**4,249**	**4,249**	–	–
Total non-current assets		**4,648**	**4,249**	–	–
Current assets					
Inventories - land and property developments	10	**44,309**	**14,805**	34,052	5,359
Amounts due from subsidiary undertakings	11	**–**	**28,776**	–	27,968
Amounts due from joint ventures	17	**4,580**	**4,580**	50	50
Retentions		**–**	**–**	399	–
Trade and other receivables	11	**1,799**	**1,758**	691	647
Current tax receivable		**373**	**314**	163	188
Prepayments and accrued income		**1**	**–**	1	–
Cash at bank and in hand		**1,109**	**920**	537	348
Total current assets		**52,171**	**51,153**	35,893	34,560
Total assets		**56,819**	**55,402**	35,893	34,560
Current liabilities:					
Amounts owed to parent	12	**24,500**	**24,500**	5,500	5,500
Amounts owed to group undertakings	12	**2,265**	**5,328**	1,810	4,892
Trade creditors and other payables	12	**446**	**446**	545	545
Accruals	12	**243**	**110**	155	111
Total current liabilities		**27,454**	**30,384**	8,010	11,048
Total liabilities		**27,454**	**30,384**	8,010	11,048
Capital and reserves					
Share capital	14	**30,000**	**30,000**	30,000	30,000
Profit and loss account		**(635)**	**(4,982)**	(2,117)	(6,488)
Total equity		**29,365**	**25,018**	27,883	23,512
Total equity and liabilities		**56,819**	**55,402**	35,893	34,560

The accounts on pages 12 to 34 were approved by the Board of Directors on 09 SEP 2019 and signed on its behalf by:

Dougie Peters
Managing Director

Group statement of changes in equity

For the year ended December 2018	Share capital £000	Profit and loss account £000	**Total £000**
Shareholder's funds at 1 January 2017	30,000	(108)	**29,892**
Total comprehensive income	–	(2,009)	**(2,009)**
Shareholder's funds at 31 December 2017	30,000	(2,117)	**27,883**
Total comprehensive income	–	1,482	**1,482**
Shareholder's funds at 31 December 2018	30,000	(635)	**29,365**

Group cash flow statement

Cash flows from operating activities	2018 £000	2017 £000
Profit / (loss) before tax	**1,125**	(2,172)
Working capital adjustments		
(Increase)/ decrease in trade and other receivables	**(5,638)**	10,685
Decrease in prepayments and accrued income	**-**	7
Increase in inventories	**(10,257)**	(4,406)
Decrease / (increase) in trade and other payables and accruals	**6**	(971)
Increase / (decrease) in other liabilities	**19,228**	(5,335)
Increase in investment in joint ventures	**(4,249)**	-
Income taxes received	**357**	163
Cash flow from operations	**572**	(2,029)
Interest paid	**-**	-
Income tax paid	-	-
Net cash flow from ordinary activities	**572**	(2,029)
Net cash flow from operating activities	**572**	(2,029)
Net cash flow from investing activities	**-**	-
Repayments of borrowings	**-**	-
Net cash flow from financing activities	**-**	-
Change in cash and cash equivalents	**572**	(2,029)
Cash and cash equivalents at beginning of year	**537**	2,566
Net cash and cash equivalents at end of the year	**1,109**	537

Notes to the financial statements

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

These consolidated financial statements comprise BAM Properties Limited and its subsidiaries (the 'Group') for the year ended 31 December 2018. The Group and Company financial statements were approved by the board of directors on 09 SEP 2019 and the balance sheet was signed on the board's behalf by Dougie Peters. BAM Properties Limited is incorporated and domiciled in England and Wales.

The Group is primarily involved in the development of commercial properties and the provision of construction services.
These consolidated financial statements were prepared in accordance with International Financial Reporting Standards 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 thousand pounds (£'000) except when otherwise indicated.

The consolidated results of the BAM Properties Limited are also included in the consolidated financial statements of BAM Construct UK Limited Group 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 of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The Directors have taken advantage of the exemption under section 408 of the Companies Acts 2006 not to present the company's individual statement of comprehensive income. The company only profit for the year is £1,506,000 (2017: loss £2,068,000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

2.2 Judgement and key sources of estimate uncertainty

Inventories: Land and property developments

Trading properties are carried at the lower of cost and net realisable value.

The estimation of the net realisable value of the Group's trading properties, especially the development land, is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these programmes could be subject to significant variation. As a result, the net realisable values of the Group's trading properties are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

If the assumptions upon which the directors have based their valuation prove to be false, this may have an impact on the net realisable value of the Group's properties, which would in turn have an effect on the Group's financial condition.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.2 Judgement and key sources of estimate uncertainty (continued)

Trade and other receivables

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

The principal accounting policies are set out below. They were applied in preparing the financial statements for the years ended 31 December 2016 and 2017.

2.3 Changes in accounting policy and disclosures

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policy and disclosures (continued)

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

The IFRS 15 Revenue from Contracts with Customers mainly concerns how revenue from contracts with customers, excluding leases, is to be reported and how payment from customers is to be measured. If a customer contract contains more than one performance obligation, the price for each performance obligation is to be determined and the revenue recognised when the obligation has been satisfied, either over time or at a point in time.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 with effect from 1 January 2018. The Group implemented the standard with full retrospective effect, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balances for 2018. On transition, the Group recognised no adjustments.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2.4: Revenue Recognition below.

Standards issue but not yet effective

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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

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.

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

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.

Expected IFRS 16 impact

The will be no material impact upon adoption of IFRS 16 as the Group has no leases as lessee.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

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 foresee any method impact.

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

The group's business activities, a review of business and future developments, together with the group's financial risk management processes and narrative regarding its exposure to key financial and commercial risks are described in the Directors' report and Strategic report.

The directors have received confirmation from BAM Construct UK Ltd that it is their intention to support the Company for at least 12 months from the date of approval of these financial statements.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

The company, along with other group companies, is party to a guarantee in respect of any individual company overdraft balance within a cash pooling facility. The directors have carefully considered the risk associated with the provision of this guarantee and are of the opinion that the guarantee will not give rise to any loss for the company in the foreseeable future.

2.4 Significant accounting policies

Basis of consolidation

The group accounts consolidate the accounts of BAM Properties Limited and all its subsidiaries drawn up to 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 financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (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.

(a) 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.

(b) Joint ventures
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.

Investments

The investments in the company's subsidiaries are included at cost less any provision for impairment. In the opinion of the directors the value of the company's investment in its subsidiaries is not less than the amount at which it is stated in the accounts.

Inventories: Land and property development

Land and property developments are recorded at the lower of cost and net realisable value. 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 balance sheet date is £2,842,628 (2017: £2,842,628).

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

2.4 Revenue recognition

Inventory property sales proceeds

Proceeds received on the sale of inventory properties are recognised when control of the property transfers to the buyer. This generally occurs on unconditional exchange or on completion.

Letting fee income

Revenue recognized in respect of letting activity is recognized at the fair value of the consideration receivable from the purchaser as the office and retail space within the building is leased.

Other operating income

Other operating income consists of income derived from short term car park leases and management fees earned from JV projects, which is recognized on an accruals basis. Rental income is also included as other operating income and is recorded as follows:

Rental income

Rental income arising from operating leases in connection to development properties is recorded on a straight line basis over the lease term. Tenant incentives, such as rent-free periods, are allocated to the income statement on a straight-line basis over the lease term.

Finance income

Finance income consists of interest receivable on deposits and is recognized as interest accrues.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Provision for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. Where the effect of the time value of money is material, the amount of a provision is discounted so as to represent the present value of the expenditure required to settle the obligation.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax, with the following exceptions:

i) Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

ii) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

3. Turnover

Turnover, which is stated net of VAT, represents the invoiced value of sales in respect of land and commercial property developments, the value of construction work undertaken in the year including estimates of amounts not invoiced and adjustments relating to prior years which have been agreed during the year and revenue in relation to the letting of office space within the Queen Street building. Turnover is attributable to continuing activities and arose wholly within the United Kingdom.

Turnover recognised in the income statement is analysed as follows:

	2018	2017
	£000	£000
Letting Fee Income	**–**	243
	–	243

4. Administrative expenses

Administration expenses include the following amounts in relation to auditor's remuneration

	2018	2017
	£000	£000
Fees payable to the company's auditor for the audit of the company's annual accounts	**25**	22
Fees payable to the company's auditor for other services:	**–**	–
The audit of the company's subsidiaries pursuant to legislation	**28**	35
Total	**53**	57

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

5. Other operating income

Other operating income consists of income from short term car park leases, rental income and management fees from JV projects

	2018	2017
	£000	£000
Rental income	**70**	100
Short term car park leases	**116**	78
Management fees from JV projects	**201**	37
Other income	**–**	78
	387	293

6. Directors' emoluments

J Wimpenny a director of the company, is also a director of BAM Construct UK Limited, the company's immediate parent undertaking. His remuneration for the year, all of which is paid by, and attributable to, services provided to BAM Construct UK Limited, is disclosed in the accounts of that company.

The remuneration for D Peters, a director of the company during the year, is paid by BAM Construct UK Ltd. The remuneration for services provided to the company by D Peters is considered to be negligible, hence disclosed as nil (2017: nil).

The Company did not employ any staff (2017: nil).

Notes to the financial statements (continued)

7. Interest expense

	2018	2017
	£000	£000
Bank and other interest	**–**	–
Group undertakings	**223**	27
Interest expense	**223**	27

The cumulative amount of interest capitalised in the land and developments at the balance sheet date is £2,842,628 (2017: £2,842,628).

8. Taxation

	2018	2017
	£000	£000
a) Tax (credit) / on profit / (loss) on ordinary activities		
Current tax		
UK Corporation tax	**(357)**	(163)
Adjustment in respect of earlier years		
Group	–	–
Total current tax charge	**(357)**	(163)
Deferred tax charge	–	–
Tax on profit	**(357)**	(163)

Losses are being group relieved at the current corporation tax rate.

b) Factors affecting current tax (credit) / charge

The tax assessed on the (profit) / loss on ordinary activities for the year is lower (2017: lower) than the rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	2018	2017
	£000	£000
Profit / (Loss) on ordinary activities before tax	**1,125**	(2,172)
Profit) / (Loss) on ordinary activities multiplied by the rate of UK corporation tax at 19.00% (2017: 19.25%)	**214**	(418)
Adjustment in respect of earlier years	**(3)**	255
Income not taxable	**(568)**	–
	(357)	(163)

c) Factors affecting the future tax charge

The Finance Act 2016 includes legislation to reduce the corporation tax from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. The rote change will impact the amount of future tax payment to be made by the company.

9. Investments

	2018 £m	2017 £m
Investment carrying amount	**4.2**	–

Subsidiary undertakings, and joint ventures

Except where indicated, all companies have only ordinary share capital, are wholly owned, are incorporated in Great Britain and registered in England, and operate wholly in the country of incorporation.

Subsidiary undertakings		Registered office
BAM Swindon Limited (100%)	Property development	Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4FL
BAM Monk Bridge Limited (100%)	Property development	Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4FL
BAM Glory Mill Limited (100%)	Property development	Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4FL
BAM Queen Street Limited (100%)*	Property development	183 St Vincent Street, Glasgow, G2 5QD

Joint ventures		
BAM Connislow Limited (50%)*	Property development	183 St Vincent Street, Glasgow, G2 5QD
BAM TCP Atlantic Square Limited (50%)*	Property development	Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4FL

***registered in Scotland**

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%**	-

Notes to the financial statements (continued)

9. Investments (continued)

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**	2017
	£m	£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%**	-
Share in net result	**3.0**	**-**
Net assets	**8.4**	
Share in profit rights	**50%**	
Carrying amount	**4.2**	

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.

Notes to the financial statements (continued)

9. Investments (continued)

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**	-
	3.0	-
Share in equity joint venture BAM TCP Atlantic Square	**4.2**	-
	4.2	-

10. Inventory, land and property developments

	Group 2018 £000	**Company 2018 £000**	Group 2017 £000	Company 2017 £000
As at 1 January	**34,052**	**5,359**	29,646	1,294
Additions	**10,368**	**9,446**	4,565	4,065
Impairment	**(111)**	**–**	(159)	–
As at 31 December	**44,309**	**14,805**	34,052	5,359

The Company intends to re-develop the property portfolio into either a mixed-use scheme of residential units, office space or potentially other commercial uses.

The carrying value of the property includes historical capitalised interest of £2,842,625 (2017: £2,842,625).

Notes to the financial statements (continued)

11. Current assets

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Other debtors	**478**	**477**	578	578
Value added tax	**1,322**	**1,281**	113	69
	1,799	**1,758**	691	647

	Company 2018 £000	Company 2017 £000
Amounts due from Subsidiary Undertakings		
Amounts due from Subsidiaries	**34,706**	41,015
Provision for Impairment	**(5,930)**	(13,047)
At 31 December	**28,776**	27,968

	Company 2018 £000	Company 2017 £000
Movement in Provision for Impairment		
At 1 January	**13,047**	22,929
Utilised in the year	**(7,329)**	(9,837)
Charged / (Credited) to the income statement	**212**	(45)
At 31 December	**5,930**	13,047

Amounts due from subsidiary companies that were dissolved during the year totalling £7,329k were written off in the year. These amounts had been fully impaired and are reflected in the movement in the provision for impairment above.

12. Current liabilities

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Due within one year				
Amounts due to immediate parent	**24,500**	**24,500**	5,500	5,500
Amounts due to group undertakings	**2,265**	**5,328**	1,810	4,892
Trade creditors and other payables	**446**	**446**	545	545
Accruals	**243**	**110**	155	111
	27,454	**30,384**	8,010	11,048

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

Notes to the financial statements (continued)

13. 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. The Group manages credit risk by placing its investments in liquid assets with high quality financial institutions. These institutions must satisfy or exceed credit ratings of at least 'A'. In line with normal business practice, the Group operates credit management procedures and regularly reviews credit rating information regarding organisations to which the Group considers extending credit arrangements.

b) Liquidity risk

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

c) Price and value risk

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

The Group finances projects through a combination of bank funds and financing from other group entities. 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 property 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
Non- recourse property financing	–	–
Amounts due to immediate parent	24,500	24,500
Amounts due to group undertakings	2,265	2,265
Trade and other payables	689	689
	27,454	27,454

Year ended 31 December 2017	Carrying amount	<1 year
Non- recourse property financing	–	–
Amounts due to immediate parent	5,500	5,500
Amounts due to group undertakings	1,810	1,810
Trade and other payables	700	700
	8,010	8,010

Fair values of financial assets and liabilities

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

Notes to the financial statements (continued)

14. Called up share capital

	2018 £000	2017 £000
Authorised, allotted, called up and fully paid:		
30,000,000 ordinary shares of £1 each	**30,000**	30,000

15. Contingent liabilities

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

b) The company, along with other group companies, is party to a guarantee in respect of any individual company overdraft balance within the cash pooling facility with the Bank of Scotland. At 31 December 2018 there were overdraft balances in a number of group companies in the cash pooling facility amounting to £nil (2017: £nil). 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.

16. Operating lease where the Group is lessor

As of December 2017, the Group held a surplus office and manufacturing building which was let to a third party. This non-cancellable lease had a remaining term of less than one year.

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

	2018 £000	2017 £000
Not later than one year	**–**	76
After one year but not more than five	**–**	–
After five years	**–**	–
	–	76

Notes to the financial statements (continued)

17. Related party transactions

The Group identifies subsidiaries, associates and joint arrangements as related parties. Transactions with related parties are conducted at arms length, on terms comparable to those for transactions with third parties.

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 Properties Limited Group of companies has entered, either directly or through a closely related party, into a non-employment related commercial transactions with any Royal BAM Group company during the period. Transactions with related parties include the following:

	2018 £000	2017 £000
Amounts due from:		
BAM Connislow Limited (joint venture) – loan @ 7%, repayable on demand	**52**	50
BAM TCP Atlantic Square Limited (joint venture) - loan @ 5% repayable on demand	**4,528**	–

	2018 £000	2017 £000
Management fees paid within the year:		
BAM Construct UK Limited	**630**	434

	2018 £000	2017 £000
Amounts due to:		
BAM Construct UK Limited (immediate parent) – loan @ LIBOR + 2%, repayable on demand	**24,500**	5,500
BAM Construction Limited (fellow subsidiary) - interest free, repayable on demand	**2,265**	1,810
Total amount outstanding at 31 December	**26,765**	7,310

For the year ended 31 December 2018, the Group recorded impairment of amounts due from group undertakings of £212,000 (2017: reversal of impairment of £45,000).

Details about guarantees provided to banks for loans made to related Group entities are included in Note 15.

18. Parent undertakings and controlling party

The company's immediate parent undertaking is BAM Construct UK Limited, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party is Royal BAM Group n.v., a company incorporated in The Netherlands. The group accounts of the ultimate parent (the largest group of which the company is a member and for which group accounts are prepared) and of BAM Construct UK Limited (the smallest group) are available from this company's registered office, which is Breakspear Park.

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Registered number: 3283033

bam.co.uk

Here you will find downloadable PDFs of:

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

Registered office

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