Annual Report and Accounts 2020

BAM FM Limited

www.bam.co.uk

Teams from across BAM joined forces to help design, build and manage the NHS Nightingale Hospital Yorkshire and the Humber in just three weeks.

Creating the 500-bed facility, part of the Government's response to the pandemic, involved converting the Harrogate Convention Centre.

Colleagues from the Design, Services Engineering, Construction and Facilities Management teams worked in shifts around the clock to complete the project on behalf of the Leeds Teaching Hospitals NHS Trust and commissioned through the ProCure 22 framework.

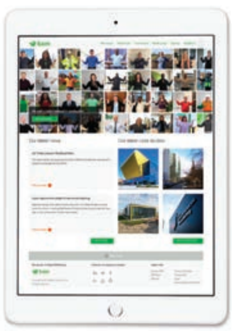
BAM's facilities management business installed the medical gas infrastructure, air conditioning, refrigeration, water, electrics, backup generators, drainage and were then appointed to maintain the facility.

In an online ceremony, Captain Tom Moore opened the new hospital alongside Chief Executive of the NHS, Simon Stevens and Secretary of State for Health and Social Care, Matt Hancock MP who said:

"I have been incredibly impressed by the sheer dedication, professionalism and altruism of everyone involved in setting up NHS Nightingale Yorkshire and The Humber – from the NHS clinical staff and engineers to the construction workers and military planners."

Contents

An overview of our 2020 performance, our future direction, and a review of the businesses underpinning our strategy.



Registered number
SC190053

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

BAM FM operates throughout England, Scotland and Wales and provides a range of facilities management, energy management, minor construction works and related services.

As part of BAM Construct, BAM FM offers essential integrated services to public and private sector organisations.

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

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

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

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

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

2020 at a glance

Turnover (£m)

£65.2m

2020	65.2
2019	58.9
2018	54.4

Profit before tax (£m)

£3.5m

2020	3.5
2019	3.6
2018	1.2

Year-end work in hand (£m)

£660.8m

2020	660.8
2019	667.8
2018	637.9

Cash position at year-end (£m)

£18.5m

2020	18.5
2019	12.3
2018	10.1

Shareholder's funds at year-end (£m)

£20.0m

2020	20.0
2019	17.1
2018	14.2

Incident Rate

232

2020	232
2019	213
2018	422

Accreditations

> **Many of our FM services directly support health, education, emergency services and local government organisations. 2020 has shown how essential our services are to ensure vital public services keep running at a time of crisis.**
>
> **Louise Williamson**
> Managing Director BAM FM

The directors present their strategic report for the year ended 31 December 2020, which reports on BAM FM's strategy and financial results, the progress of the business and performance on sustainability.

BAM FM has been delivering Facilities Management (FM) services to customers throughout the UK for almost 23 years.

There are 900 staff working across the UK for BAM FM, delivering sustainable support services to our customers in the education, healthcare, retail and commercial sectors.

Understanding how a building is managed and operated in practice informs our understanding of design, construction, sustainability and clients' requirements. As part of BAM Construct UK, we extend BAM Construct UK's capabilities across the lifecycle of a building.

Many of our FM services directly support health, education, emergency services and local government organisations. 2020 has shown how essential our services are to ensure vital public services keep running at a time of crisis.

The impact of the COVID-19 pandemic has been very significant, requiring a highly agile and flexible response from our teams across the UK.

Whilst most private sector buildings closed in response to the pandemic, and therefore required minimal FM support, our FM teams, particularly those supporting health and education, have been on the frontline, making classrooms safe for teachers, children of key workers and pupils with special educational needs.

Our teams have even worked alongside health workers where Covid patients were being treated. These teams are amongst the unseen and unsung heroes in the battle against the coronavirus.

I am sincerely grateful to all our employees, suppliers, sub-contractors, partners and clients who have been, and continue to be, so supportive and responsive.

Their resilience, adaptability and safety-conscious approach has meant we continued to successfully support our clients with their immediate needs, and in their developing needs as they look to make their buildings and operations more sustainable.

The board of BAM Construct UK remains committed to growing the Group's FM business and improving its profitability.

In 2020, we continued our successful track record of organic growth achieving turnover in 2020 of £65.2m (2019: £58.9m). Profit before taxation was £3.5m (2019: £3.6m).

Working safely during a pandemic

Working safely in these circumstances has been a top priority. Our Incident Frequency of 232 (2019: 213) has slightly increased on 2019, however the number of RIDDOR's has remained at 2. We rolled out the 'Your Safety is My Safety' campaign, with a particular focus on improved communication, safety conversations, and increased staff awareness of the risks in the workplace. We were awarded a ROSPA Gold Award for 13th consecutive year.

Growth across the board

We were appointed to significant new contracts, and expanded our existing service provision, in a range of sectors. Key wins included Crawley education authority, the London Borough of Hackney and North Ayrshire council in the public sector and Hilton Hotels, Skechers and Premier Foods in the private sector.

We carry out minor works and capital projects – including mechanical, electrical and building fabric works – either through existing maintenance or service contracts, or as standalone projects. In 2020 we were pleased to be appointed to our first national framework for minor works. National Minor Works Framework, launched by Procure

Partnerships, is free to access for all public sector bodies including local authorities, NHS Trusts, universities, the police, fire and ambulance services, and housing providers.

We were also pleased to work closely with our BAM Construction colleagues as they rapidly designed and built two NHS Nightingale Hospitals. Designing and delivering the necessary FM support packages, ranging from sophisticated heating, cooling and medical gas systems to vital hygiene, catering and portering, these projects saw everyone involved come together in a spirit of togetherness to create essential facilities from scratch in a matter of weeks.

Our profitable growth reflects our focus on strong client relationships, selecting the right opportunities, and our commitment to deliver safely, efficiently and sustainably.

Sustainability - a core key capability
BAM FM is one of a limited group of global companies with validated science-based targets to reduce carbon. Having first committed to reduce the CO2 intensity of operations by 50 per cent in 2030, compared to 2015, I am pleased that in 2020 we became one of the few contractors signed up to the World Green Building Council Net Zero Carbon Buildings Commitment.

This programme commits us to ensure all buildings within our direct control reach net zero carbon in operation by 2030 and also commits us to influencing stakeholders and clients to achieve net zero. Our capabilities in building and energy management, design and construction put us in a good position to build on our carbon reduction to date, for ourselves and our clients.

Our energy services capability is central to our sustainability proposition. BAM Energy promotes energy efficiency and energy generation from renewable sources. This includes designing, installing, operating and financing of demand reduction and renewable energy systems for new and existing buildings. Our energy procurement and utilities management solutions are not tied to any provider of products or systems. Instead we identify the best and most effective options for each customer's specific circumstances.

We were delighted to achieve our fourth consecutive Gold Award by the Sustainability FM Index which recognises our drive to embed sustainability into the business. They are the UK's only sustainability benchmark in the sector, and work with facilities management stakeholders of all kinds to raise and embed new standards in the industry.

BAM has actively supported the UK Government create its new Construction Playbook, which will see clients begin to speed up how better buildings are designed, built and managed over their lifecycle.

Looking ahead, we are targeting further growth driven by clients' need for efficient, sustainable buildings and support services.

Enhancing lives: social value in our delivery and business
Clients increasingly look to measure the social value delivered beyond the service itself. We are measuring the impact of our contracts on the communities in which we work and have been able to report through the Social Value Portal to provide transparency to our customers.

BAM FM has also been officially accredited as a Living Wage Service Provider and we are now encouraging clients to increase the pay for hundreds of lower-paid BAM employees. The Living Wage is a voluntary higher rate, created and promoted by the Living Wage Foundation and more than 7,000 UK employers have chosen to pay it so far.

Our annual staff awards, BAM Stars, were held this year at an event at Luton Hoo recognising excellent performance across the business and reflecting our Company values.

Medium term strategy - continued growth
BAM FM has a strategy for growth based 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 BAM Energy. The Company remains open to a potential FM acquisition in the coming years should a suitable prospect become available.

Ethics and standards
BAM has 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. In 2020, there were no reported or detected breaches of the Bribery Act or of the Group's ethics policy. No employee availed of the confidential whistleblowing mechanisms.

Throughout 2020, the Company maintained constant vigilance against the risk of fraud. The measures included maintaining security controls, regular counter-checking with our banks, and communicating with staff and our customers about the need to be vigilant about bogus notifications or requests for sensitive information.

Principal risk and uncertainties
Financial risk management is an integral part of the Company's management processes. Stringent policies designed to identify, manage and limit both existing and new risks are applied at various management levels.

COVID-19 has introduced increased risk to all areas of the Company in 2020. We have responded to the challenges created by COVID-19 by enhancing our collaborative relationships with our stakeholders so to mitigate the impact on delivery and financial performance.

COVID-19 Pandemic
The COVID-19 pandemic has fundamentally impacted the UK economy and our industry. From March 2020, the directors increased operational reporting, to ensure high visibility of the potential impact on productivity and delivery to our stakeholders that may result from COVID-19.

In addition, the directors have ensured that the Group and Company complies with all Government guidelines in order to operate in a safe manner on all sites. The directors have also focused on cash management and collaboration with suppliers, customers and all our stakeholders to achieve as much efficiency as possible.

Future Strategy
Despite the COVID-19 pandemic our order book remains strong. The directors continue to monitor the impact of the UK's exit from the EU at the end of 2020 on issues such as access to labour and tariffs. The directors have put various measures in place to deal with various scenarios that may arise.

a) Credit risk
The Company is exposed to potential credit risk on financial instruments such as liquid assets and trade receivables. Credit risk is managed by the Company 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 Company operates credit management procedures and regularly reviews credit rating information in respect of organisations to which the Company considers extending credit arrangements.

The Company expects there to be little or no impact of COVID-19 on the credit risk of the Company.

b) Liquidity risk
Liquidity risk and cash flow risk are actively managed through the regular preparation and monitoring of plans, budgets and quarterly forecasts. Cash flow risk is further 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 considered at Company level as part of the review of management forecasts and at contract or project level as part of the appraisal process; both are monitored on an ongoing basis. Price risk is further mitigated through the process of benchmarking selected activity within each contract. Benchmarking is principally carried out at the start of every significant contract, with adjustments made to selected activity pricing to reflect current market value.

Projects are financed using a combination of cash at hand, operating leases, and short-term deposits. New projects are evaluated with regard to these financing arrangements. Live projects are continually monitored for deviations from plan so as to minimise financial risks and oblige management to implement corrective measures and regular reforecasting. This ensures that any observable evidence of impairment for loss making contracts can be identified as early as possible.

d) Legislative risks
The Company is required to comply with all applicable legislation, and in particular, covering health and safety standards as well as standards of food hygiene for catering services offered.

This is achieved through established and readily available best in practice procedures for training staff.

The Company also makes use of specialists within the wider BAM Construction UK group with the relevant knowledge and experience in order to proactively manage these potential risks and ensure compliance at the highest level.

No significant uncovered risks were identified for the period presented in this report or at the time this report was approved by directors.

DocuSigned by:
Louise Williamson
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Louise Williamson
Managing Director
BAM FM Limited
20 May 2021

Directors' report

The directors present their report and accounts for the year ended 31 December 2020

Results and dividends

The profit of the Company for the year is set out in the Statement of Comprehensive Income on page 14. The directors paid a dividend of £nil (2019: £nil) to BAM Construct UK Limited in the year.

Principal activities
The principal activity of the Company is to provide facilities management services.

Directors
The following served as directors during the year ended 31 December 2020 and up to the date of this report:
- J Wimpenny
- L Williamson

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.

Events since the balance sheet date
There were no material adjusting events up to the date that the financial statements were formally approved by the directors.

Going Concern
The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for at least the period to 30 June 2022 (the review period), being at least 12 months from the date of approval of the Annual Report.

The Company has net current assets of £20.0m and is a guarantor to banking facilities of the Royal BAM Group. The Company meets its day to day working capital requirements through cash held in its own name, and through access to its other cash pooling balances held with the Royal BAM Group n.v.. The Company does not have any bank debt or other external borrowings or facilities.

Due to the cash pooling arrangements, the Company is reliant upon ongoing support of its ultimate parent, Royal BAM Group n.v.. The directors have received written confirmation from Royal BAM Group n.v. that the Company will be provided financial support for the period until 30 June 2022. The directors have made suitable enquiries to satisfy themselves that the ultimate parent company is capable of providing the stated support.

In view of the assessment performed, the directors are satisfied that sufficient financial resources will be generated by the Company or received from its ultimate parent entity, Royal BAM Group n.v., to enable the Company to continue in operation and meet its liabilities as they fall due for at least the period to 30 June 2022. Accordingly, the directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

Future Developments
The directors aim to maintain the management policies which have resulted in the Group's success to date.

The directors continue to monitor the changing UK political landscape resulting from uncertainty of the UK's exit from the EU at the end of 2020 and the on-going impact of the COVID-19 crisis. The directors have put various measures in place to deal with scenarios that may arise.

Digital FM
We continue to invest in digitalisation, working and collaborating more closely with other group entities on further development of whole lifecycle building information modelling in regard to incorporating full asset and maintenance data for services in the building model. This has been acknowledged by our accreditation to PAS1192-3 in 2018. This will improve our operational effectiveness when completing planned maintenance activities and giving greater visibility of assets when dealing with reactive calls from our clients and supply chain partners.

Minor Works
BAM FM has continued to develop the capability to undertake minor works and capital project works via existing maintenance or service contracts – or as a standalone project. We draw on the expertise of different divisions to tailor a project to our customer's needs and budget, including mechanical, electrical and fabric works. We are able to act as the Principal Designer, Designer, Principal Contractor or Contractor depending on the requirements of the individual project.

Directors' report

S172 Statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term,
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the matters set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and predictable.

We delegate authority for day-to-day management of the Company to Senior Leadership Team and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held regularly where the directors consider the Company's activities and make decisions. As a part of those meetings the directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions.

The Company's key stakeholders are its workforce, customers, suppliers and the local communities in which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. The size and spread of both the Company's stakeholders and the BAM Group means that generally our stakeholder engagement takes place at an operational and group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details of the engagement that takes place with the Group's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see the BAM Construct UK's Consolidated Financial Statements

We set out below an example of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us:

Investment in people is a priority for the company, offering employees (including contractors) the opportunity to develop and learn, either within their current role or in one of the cross-company schemes to build networks and improve collaboration. The directors engage with employees in a number of ways throughout the year. Employee engagement is maintained through a variety of channels including recruitment and on-boarding platforms, company-wide conferences, roadshows, development programmes and local communication events. During Covid-19 board and employee engagement has been retained through several channels including online meetings.

Supplier, customer and others engagement
BAM FM activly engages with suppliers, customers and other stakeholders. This is done in a variety forums and following the COVID-19 pandemic, more is done virtually. The engagement stakeholders takes the form of two way feedback, that enables BAM FM to improve its service.

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

On behalf of the board,

DocuSigned by:
Louise Williamson
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Louise Williamson
Managing Director
BAM FM Limited
20 May 2021

Statement of directors' responsibilities

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS101) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing these accounts, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion
We have audited the financial statements of BAM FM Limited for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the review period to 30 June 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 themselves. 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006, Bribery Act 2010, Construction Act 2009, Minimum Wage regulations and Money Laundering regulations.

- We understood how BAM FM Limited is complying with those frameworks by making enquires of management and those responsible for legal and compliance procedures, including the Board of directors. We corroborated our enquires through our review of board minutes, compliance issues reported and correspondence received from regulatory bodies

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various part of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage contract results. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals, reviewing legal advice where relevant and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.

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.

Ernst Young LLP

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 May 2021

Statement of comprehensive income

For the year ended 31 December 2020	Notes	**2020** **£000**	2019 £000
Continuing operations			
Revenue	3	**65,181**	58,858
Cost of sales		**(56,092)**	(49,485)
Gross profit		**9,089**	9,373
Administration and other expenses		**(5,841)**	(6,160)
Operating profit	4	**3,248**	3,213
Finance income	7	**289**	388
Profit on ordinary activities before taxation		**3,537**	3,601
Income tax expense	8	**(666)**	(689)
Profit on ordinary activities after taxation		**2,871**	2,912
Total comprehensive income for the year		**2,871**	2,912

Registered number
SC190053

Statement of financial position

At 31 December 2020	Notes	2020 £000	2019 £000
Assets			
Non-current assets			
Plant and equipment	9	**4**	10
Investments	10	**1**	1
Deferred tax assets	8	**11**	13
Total non-current assets		**16**	24
Current assets			
Trade and other receivables	11	**4,424**	5,171
Amounts due from parent undertaking	11	**7,735**	8,173
Amounts due from group undertakings	11	**505**	6
Amounts due from fellow subsidiary undertakings	11	**1,404**	1,360
Amounts due from subsidiary undertakings	11	**303**	298
Contract assets	11	**13,153**	10,688
Cash at bank and in hand	12	**18,471**	12,303
Total current assets		**45,995**	37,999
Total assets		**46,011**	38,023
Current liabilities			
Trade and other payables	13	**13,218**	9,136
Amounts due to group undertaking	13	**–**	9
Amounts due to fellow subsidiary undertaking	13	**254**	103
Income tax payable	13	**1,351**	930
Contract liabilities	13	**11,193**	10,721
Total current liabilities		**26,016**	20,899
Equity			
Share capital	14	**6,500**	6,500
Retained earnings		**13,495**	10,624
Total equity		**19,995**	17,124
Total equity and liabilities		**46,011**	38,023

The financial statements were approved by the Board of directors on 20 May 2021 and signed on its behalf by:

DocuSigned by:
Louise Williamson
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Louise Williamson
Managing Director
BAM FM Limited
20 May 2021

Registered number
SC190053

Statement of changes in equity

For the year ended 31 December 2020	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2019	6,500	7,712	**14,212**
Total comprehensive income for the year	–	2,912	**2,912**
Balance at 31 December 2019	6,500	10,624	**17,124**
Total comprehensive income for the year	–	2,871	**2,871**
Balance at 31 December 2020	6,500	13,495	**19,995**

Notes to the financial statements

1. Authorisation of financial statements and statement of compliance with UK GAAP

The financial statements of BAM FM Limited (the 'Company') for the year ended 31 December 2020 were authorised for issue by the board of directors on 20 May 2021 and the statement of financial position was signed on the board's behalf by Louise Williamson. BAM FM 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 presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of BAM Construct UK Limited.

The results of BAM FM Limited are included in the consolidated financial statements of BAM Construct UK Limited, which are prepared in accordance with UK GAAP, FRS 101, and are available from Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4FL.

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

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due.

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for at least the period to 30 June 2022 (the review period), being at least 12 months from the date of approval of the Annual Report.

The Company has net current assets of £20.0m and is a guarantor to banking facilities of the Royal BAM Group. The Company meets its day to day working capital requirements through cash held in its own name, and through access to its other cash pooling balances held with the Royal BAM Group n.v.. The Company does not have any bank debt or other external borrowings or facilities.

Due to the cash pooling arrangements, the Company is reliant upon ongoing support of its ultimate parent, Royal BAM Group n.v.. The directors have received written confirmation from Royal BAM Group n.v. that the Company will be provided financial support for the period until 30 June 2022. The directors have made suitable enquiries to satisfy themselves that the ultimate parent company is capable of providing the stated support.

In view of the assessment performed, the directors are satisfied that sufficient financial resources will be generated by the Company or received from its ultimate parent entity, Royal BAM Group n.v., to enable the Company to continue in operation and meet its liabilities as they fall due for at least the period to 30 June 2022. Accordingly, the directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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 2020 and 2019 are described in Note 2. In addition the Company has taken advantage of the following disclosure exemptions under FRS 101:

a) The requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;

b) The requirements of IFRS 7 Financial Instruments: Disclosures;

c) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

d) 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;

e) 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;

f) The requirements of IAS 7 Statement of Cash Flows;

g) The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting estimates and errors;

h) 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;

i) 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;

j) 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; and

k) The requirements of paragraph 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

2.2 Changes in accounting policy and disclosures

New and amended standards and interpretations adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 7 and IFRS 9 'Interest Rate Benchmark Reform'

The amendments to IFRS 9 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no material impact on the financial statements of the Company.

Amendments to IAS 1 and IAS 8 'Definition of Material'

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific 2 reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements, nor is there expected to be any future impact to the Company.

2. Accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

New standards and interpretations in issue but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

Amendments to IFRS 16 'COVID-19 Related Rent Concessions'

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. Although the Company has received rental concessions in some contracts, this amendment has no impact on the consolidated financial statements of the Company as it has chosen not to apply and does not plan to adopt the practical expedient.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The current accounting policies are not expected to deviate significantly from the amendments to IAS 37 but a further detailed assessment of the impact of the amendments is required.

Classification of liabilities as current or non-current - Amendments to IAS 1

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Companies are required to apply the amendments for annual periods beginning on or after 1 January 2023, with early application permitted. A further detailed assessment of the impact of the amendments is required.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2. Accounting policies (continued)

2.3 Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and the current market and COVID-19 conditions. The basis for these estimates remain unchanged compared to those described in the 2019 financial statements, provided that the estimation uncertainty is inherently increased due to the impact of the COVID-19 pandemic. Actual results may differ from these estimates.

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 statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

a) Revenue recognition

When the outcome of a FM contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and costs are recognised over the period of the contract by reference to the stage of completion using the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Determining the stage of completion requires a consistent judgement (forecast) of the final outcome of the project, including variance analyses of divergences compared with earlier assessment dates. Estimates are an inherent part of this assessment and actual future outcome may deviate from the estimated outcome, specifically for major and complex contracts. However, historical experience has also shown that estimates are, on the whole, sufficiently reliable.

b) 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 8.

2.4 Significant accounting policies

a) Facility Management contracts - 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 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 Company to allocate the transaction price to each performance obligation.
- Step 5 'Recognise revenue': the Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Step 1 'Identify the contract with the customer'

a) Facility Management contracts - revenue recognition (continued)

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 Company does not assess the criteria again unless there are indicators of significant changes in the facts or circumstances.

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 Company 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 Company 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 Company 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 Company, as common within the facilities management 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 Company 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 maintenance of a building, the delivery of lifecycle obligations, provision of catering and cleaning services and so on.

At contract inception, the Company 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 Company will provide a good or service based on the Company's customary business practices, published policies or specific statements.

Facilities management contracts are usually considered as one performance obligation. Whilst they can be delivered as separate services to a customer and the customer can benefit from these services on their own, they are delivered as a bundled service offering. BAM then provides the client with a management service wrap, covering the total provision of all services which is not directly attributable to a specific service within the service. Additional works can be generated which are not easily identifiable as specific offerings, so are considered and treated as one performance obligation.Cost and revenues associated with reactive works is recognised when delivered and factored into our long term forecasting of these contracts.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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.

The provision for onerous 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 statement of financial position.

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 Company 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 a range of possible consideration amounts. On the level of each performance obligation has to be decided which approach best predicts the amount of the consideration to which the Company will be entitled.

The Company 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 Company 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 Company. Based on IFRS 15, the Company 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.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

For considering the effects of constraining estimates of variable considerations, the Company 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 Company 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 see above 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 Company 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.

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.

Step 5 'Recognise revenue'

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

The Company 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 Company 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 Company 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:

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 Company is creating value in the provision of delivering services and maintaining assets for its customers. This leads to recognising revenue over time. The Company uses the 'percentage-ofcompletion 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.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

b) Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

c) Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment. On an annual basis, the Company assesses if there are any indicators of impairment by comparing the net asset values of each subsidiary to their carrying amount. If the net asset value is lower than the carrying amount, the Company assesses if the investment is impaired. If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the investment is written down 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.

d) Tangible fixed assets

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

- Plant and Equipment – 8.33% to 60% per annum
- Vehicles – 8.33% to 60% per annum

The carrying values of 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 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 statement of comprehensive income in the period of de-recognition.

e) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

f) Provisions for liabilities

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

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income 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) 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 Company classifies its financial assets in the classes 'debt instruments at amortised costs' and 'financial assets at fair value through profit and loss'. Debt instruments at amortised 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 Company 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 Company has applied the practical expedient are initially measured at the transaction price determined under IFRS 15. (See note 2.4 a).

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 Company measures debt instruments at amortised cost if 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 Company 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.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company 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 arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

De-recognition of financial liabilities

A liability is generally de-recognised 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.

3) Offsetting of financial instructments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

h) 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.

i) 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 statement of financial position date.

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

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

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

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

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

3. Turnover

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

	2020 £000	2019 £000
Revenue from FM services	**65,181**	58,858
Turnover from continuing operations	**65,181**	58,858

Other revenue disclosures

The majority of the project contract liability balance at the beginning of the year, has been recognised as revenue in the current year. Within the facilities management business, regular instalments will take place resulting in no significant pre-financing longer than a year.

The revenue recognised from performance obligations satisfied in previous periods amounts to £nil (2019: £nil). Performance obligations are satisfied as services are rendered.

Projects within the facilities management 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:

	2020 £000	2019 £000
Up to 1 year	**47**	42
2 to 5 years	**185**	40
Over 5 years	**429**	586
Total	**661**	668

4. Operating profit

Certain of the Company's administrative costs, including audit fees and staff costs, were borne by the immediate parent undertaking, BAM Construct UK Limited. A management charge is made by BAM Construct UK Limited to the Company in respect of administration expenses.

5. Auditor's remuneration

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

6. Staff costs and directors' remuneration

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

During the year 2020 James Wimpenny, a director of the Company, was also a director of the immediate parent, BAM Construct UK Limited. The director received total remuneration for the year of £314,050 (2019: £332,179), all of which was paid by the immediate parent. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the holding and fellow subsidiary companies.

The directors of the Company received remuneration from BAM Construct UK Limited as employees of that company. directors' emoluments are subsumed within management charges of £2.6m levied by BAM Construct UK Limited on the Company (see Note 4), but the amount is not separately identified within this recharge.

7. Finance income

	2020 £000	2019 £000
Bank interest receivable	**37**	77
Interest receivable from parent undertaking	**233**	281
Interest receivable from subsidiary undertakings	**19**	30
	289	388

Interest receivable from subsidiary undertakings relates to outstanding loans made to BAM Energy Limited (BAM Energy) and Sutton Maintenance Limited (SML).

8. Income tax

a) Tax charged in the income statement

	2020 £000	2019 £000
Current income tax		
Current income tax charge	**670**	687
Adjustments in respect of current income tax of previous year	**(6)**	–
	664	687
Deferred taxation		
Origination and reversal of temporary differences	**1**	2
Adjustment in respect of prior years	**1**	–
Total deferred tax charge	**2**	2
Income tax expense reported in the profit or loss	**666**	689

b) Reconciliation of the total tax charge

The tax rate charged on profits on ordinary activities for 2020 is lower than (2019: higher than) the statutory corporation tax rate enacted in the UK. The statutory corporation tax rate was 19% (2019 19%). The differences are reconciled below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	**3,537**	3,601
Profit on ordinary activities multiplied by UK Corporation tax rate of 19% (2019: 19%)	**672**	684
Adjustments in respect of prior years	**(5)**	–
Expenses not deductible	**(1)**	5
Total current tax charge	**666**	689

c) Factors that may affect future tax charges

The Finance Act 2016, included legisation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017.It has recently been announced that the rate will be increased to 25% from 1 April 2023. The Finance Act 2021 will be substantially enacted once it receives Royal assent hence there is no deferred tax re-measurement. Any deferred tax expected to reverse in these years has been re-measured using these rates as appropriate.

8. Income tax (continued)

d) Deferred tax

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

	2020 £000	2019 £000
Deferred tax asset		
Balance at 1 January	**13**	15
Prior year adjustment	**(1)**	-
Recognised in the profit and loss	**(1)**	(2)
Balance at 31 December	**11**	13

There are no unprovided deferred tax liabilities. Deferred tax included in the statement of financial position relates to the following:

	2020 £000	2019 £000
Deferred tax asset		
Accelerated capital allowances	**13**	11
Prior year adjustment	**(1)**	-
Origination and reversal of timing differences	**(1)**	2
	11	13

A deferred tax asset has been recognised in the accounts on the grounds that there will be suitable taxable profits within the tax group of which the Company is a member.

9. Plant and equipment

	Vehicles £000	Plant and Equipment £000	**Total £000**
Cost			
Balance at 1 January 2019	54	627	**681**
Additions	–	–	–
Disposals	(54)	(549)	**(603)**
Balance at 31 December 2019	–	78	**78**
Additions	–	–	**–**
Disposals	–	–	–
Balance at 31 December 2020	–	78	**78**
Depreciation			
Balance at 1 January 2019	54	613	**667**
Charge for the year	–	4	**4**
Eliminated on disposals	(54)	(549)	**(603)**
Balance at 31 December 2019	–	68	**68**
Charge for the year	–	6	**6**
Eliminated on disposals	–	–	–
Balance at 31 December 2020	–	74	**74**
Net book value			
At 31 December 2019	–	10	**10**
At 31 December 2020	–	4	**4**

10. Investments

	Investment in subsidiary £000	**Total £000**
Carrying value		
Balance at 1 January 2019	1	**1**
Additions	–	**–**
Balance at 31 December 2019	1	**1**
Additions	–	**–**
Balance at 31 December 2020	1	**1**

Entity name	**Interest in voting equity**	**Country of incorporation**	**Registered Office**	**Nature of business**
BAM Energy Limited	100%	United Kingdom	2	Renewable Energy Services
Sutton Group Limited	100%	United Kingdom	1	Holdings Company
Sutton Maintance Limited	100%	United Kingdom	1	Mechanical & Electrical

The registered offices for the companies are as follows:
1 Breakspear Park, Breakspear Way, Hemel Hempstead, Herts. HP2 4FL
2 Kelvin House, Buchanan Gate Business Park, Stepps, Glasgow. G33 6FB

11. Trade and other receivables

	2020 £000	2019 £000
Current		
Trade and other receivables	**4,424**	5,171
Amounts due from parent undertaking	**7,735**	8,173
Amounts due from fellow group undertakings	**505**	6
Amounts due from fellow subsidiary undertakings	**1,404**	1,360
Amounts due from subsidiary undertakings	**303**	298
Contract assets	**13,153**	10,688
	27,524	25,696

Contract assets reflects uninvoiced amounts related to the value of work done on customer contracts that can be measured reliably.

Trade receivables are non-interest bearing and are generally on terms of 30 - 90 days. In 2020, £242k (2019: £788k) was recognised as provision for expected credit losses. The significant change in contract assets is due to normal activity in the facilities management business. Other changes as mentioned in IFRS 15 (paragraph 118) are not relevant.

	2020 £000	2019 £000
Allowance for doubtful debts		
Balance at 1 January	**788**	681
Change for year	**–**	107
Release unused provision	**(546)**	–
Balance at 31 December	**242**	788
Current	**242**	788
Non-current	**–**	–

12. Cash at bank and in hand

Restricted cash of £2,506k (2019: £2,636k) included within cash at bank and in hand is not available for use without joint agreement with third parties.

13. Trade and other payables

	2020 £000	2019 £000
Current		
Trade and other payables	**13,218**	9,136
Amounts due to group undertaking	**–**	9
Amounts due to fellow subsidiary undertakings	**254**	103
Income tax payable	**1,351**	930
Contract liabilities	**11,193**	10,721
	26,016	20,899

Trade payables are non-interest bearing and are normally settled on 30-60 day terms. Amounts due to group undertaking and fellow subsidy undertakings are interest free and repayable on demand.

The 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 Bank of Scotland Plc. At 31 December 2020 there were £nil (2019: £nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2020 was £nil (2019: £nil). This guarantee is not expected to give rise to any loss.

14. Authorised and issued share capital

	Number	2020 £000	Number	2019 £000
Share capital				
Authorised: ordinary shares of £1 each	**6,550,000**	**6,550**	6,550,000	6,550
Issued: ordinary shares of £1 each	**6,500,000**	**6,500**	6,500,000	6,500

15. Other related party transactions

The Company has taken advantage of the exemption available under FRS 101 not to disclose details of transactions between wholly owned group undertakings.

16. Ultimate group undertaking

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

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

17. Events since the balance sheet date

There have been no other material events arising after the reporting date.

18. Contingent liabilities

During the year, the Royal BAM Group n.v. drew down the revolving credit facility of €400m, to which BAM FM Ltd and other Group entities is a guarantor. On 24 April 2020, the committed revolving credit facility was extended by one year to 31 March 2024, with the committed amount reducing to €360m from 1 April 2023. The utilisation of this facility as at 31 December 2020 was €400m (2019:€nil). The directors are satisfied that the Royal BAM Group n.v. is currently able to fulfil all its obligations under these agreements without recourse to any of the guarantors.

The Company, along with other group entities, provided a guarantee against a subordinated term loan and a committed revolving credit facility to its ultimate parent undertaking, Royal BAM Group n.v.. The principal sum of the subordinated term loan amounts to €119m (2019:€125m).

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.

www.bam.co.uk
Here you will find downloadable PDFs of:
BAM Construct UK Limited Report and Accounts
BAM Construction Limited Report and Accounts
BAM Properties Limited Report and Accounts
BAM FM Limited Report and Accounts

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