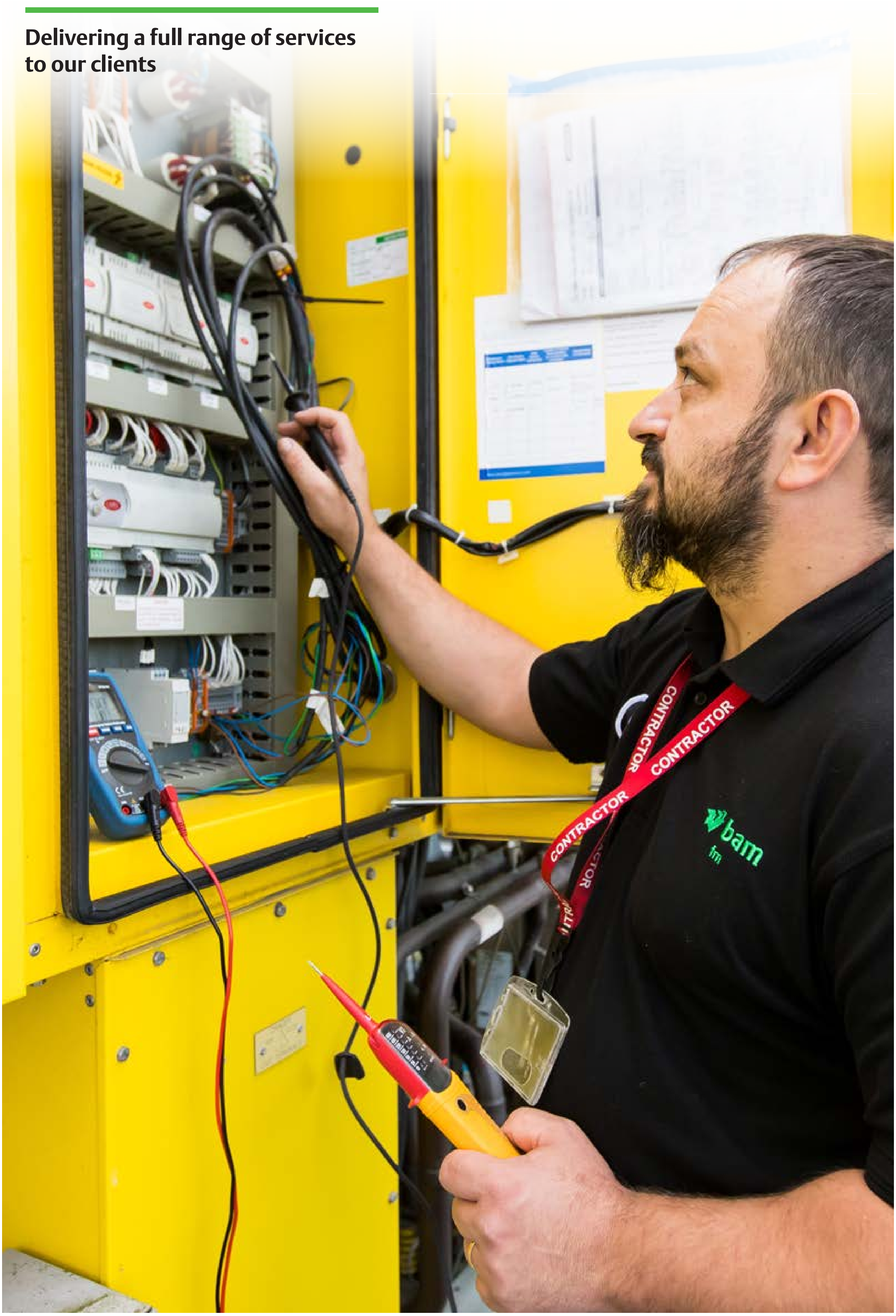
BAM FM Limited

bam

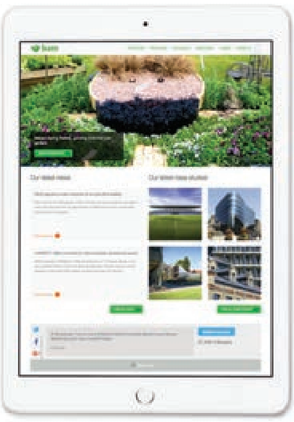
Annual Report and Accounts 2017

www.bam.co.uk

Delivering a full range of services to our clients



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



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

Cover image:
Somerset Schools and CPU Somerset Catering -
BAM FM Providing a full range of catering services

Registered number
SC190053

BAM in brief

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

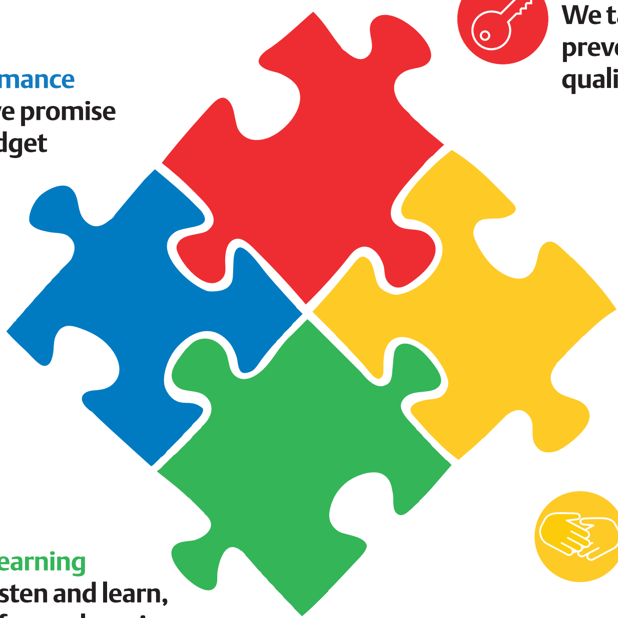
BAM FM operates throughout England, Scotland and Wales and engages in Facilities Management and related services.

We have 16 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 - and our goal is to be a distinctive construction and property services brand by being customer focussed, creative and sustainable.

2017 at a glance

Turnover (£m)

£47.5m

2017	47.5
2016	47.2
2015	39.8

Profit before taxation (£'000)

£1.5m

2017	1,495
2016	941
2015	1,821

Year end work in hand (£m)

£682m

2017	681.7
2016	709.6
2015	751.9

Current undertakings of long term contracts held by the company

Cash position at year-end (£m)

£22.2m

2017	22.2
2016	11.3
2015	10.2

Shareholder's funds at year end (£m)

£13.2m

2017	13.2
2016	12.0
2015	11.8

Working capital at year-end (£m)

£13.4m

2017	13.4
2016	12.1
2015	12.0

Incidents

65

2017	65
2016	74
2015	58

Diverted from landfill

69%

2017	69%
2016	72%
2015	64%

Waste to landfill

31%

2017	31%
2016	28%
2015	36%

2016 RoSPA President's Award

The Sustainable FM Index

INVESTORS IN PEOPLE | Bronze

Strategic report

We want to partner with our clients and supply chain to form effective partnerships and lasting relationships.

Louise Williamson
Managing Director, BAM FM

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

BAM FM's turnover in 2017 was £47.5m (2016: £47.2m). Profit before taxation was £1.5m (2016: £0.9m).

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

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

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

During 2017 we continued to develop a platform for growth which was launched in 2016 to deliver our vision to be a market leader in digital FM services. We have driven the digital agenda further by rolling out the use of robotic vacuum cleaners across many schools, and are currently developing sensors to assist in the remote monitoring and maintenance of assets. We were finalists at both the BIFM and PfM Awards in digital and innovation categories.

Ensuring a safe working environment remains a top priority and our safety programme to deliver a zero harm culture continued with a 45% reduction in lost time incidents, improved communication with monthly safety newsletters and increased staff awareness of the risks in the workplace. BAM FM was awarded the ROSPA Presidents award to reflect 10 years at the Gold Award level.

Our FM system, Concept Evolution is now used more consistently across the business and will be developed further to enhance our reporting to customers and capturing data on the performance of each contract. We have introduced a new procurement strategy to identify our key suppliers in order to work more closely with them to deliver our objectives.

During the year we continued to promote our staff engagement projects looking at better communication, customer service training, staff recognition, staff performance reviews and staff surveys. This underlying improvement was recognised by Investors In People who awarded BAM FM bronze status for the first time.

Our People Places Planet sustainability programme was implemented with plans for activity being developed for each contract addressing not just carbon emissions, and waste reduction, but ecology, diversity, staff turnover, safety, community engagement, and society value. We were delighted in December to achieve a Gold Award by the Sustainability FM Index which placed us in the top 4 FM companies in the UK.

During 2017, BAM FM secured some valuable new contracts such as:

- A three year contract for the mechanical and electrical maintenance services at Cranfield Unversity
- Royal College of Nursing properties across the UK
- A three-year contract with Quantum Care, a provider of residential and dementia care for older people.
- Barhead and Our Lady and St Patrick schools in Scotland
- A contract to deliver HVAC maintenance and specialist contractor works for Skechers, the performance shoe retailer's headquarters at Centrium, St Albans.

Introduction
Reports
Financial statements
Notes to the financial statements

Strategic report (continued)

BAM FM has a subsidiary company, BAM Energy Limited which can deliver energy management through meter readings and procurement, energy reduction projects such as LED lighting, BMS improvements, and energy generation through renewables. In 2017 BAM Energy has secured contracts such as the provision of solar PV panels for Rydens Enterprise School in Leeds built by BAM Construction, and a LED lighting project for Redcar & Cleveland Borough Council.

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 Company's whistleblowing mechanism or confidential Employee Assistance Helpline. In 2017, 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 2017, 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.

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.

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 risk 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.

L. Williamson

Louise Williamson
Managing Director
BAM FM Limited
18 October 2018

Directors' report

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

Results and dividends

The profit of the company for the year is set out in the Statement of Comprehensive Income on page 11. The directors paid a dividend of £nil (2016: £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 2017 and subsequent to that date:

- G Cash – resigned 31 December 2017
- J Wimpenny – appointed 1 January 2018
- 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 have been no material issues that affect the contents of this report since the balance sheet date.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Future Developments

Digital FM

We continue to invest in digitalisation, working and collaborating more closely with BAM Design and BAM Construction 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 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

In 2017 BAM FM developed 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.

Brexit impact

The directors note that the United Kingdom previously gave notice under Article 50 of the Treaty on European Union of its intention to withdraw from the European Union on 31 March 2019. The directors are currently unable to estimate the impacts, if any, on the prospects for the business generally. These uncertainties are not reflected in the balance sheet as at 31 December 2017.

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

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.

Louise Williamson
Managing Director - BAM FM Limited
18 October 2018

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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 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 2017 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 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 2017 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

1 9 OCT 2018

Introduction
Reports
Financial statements
Notes to the financial statements

Statement of comprehensive income

For the year ended 31 December 2017	Notes	2017 £000	2016 £000
Continuing operations			
Revenue	3	**47,465**	47,177
Cost of sales		**(39,929)**	(38,700)
Gross profit		**7,536**	8,477
Administration and other expenses		**(6,088)**	(5,243)
Impairment of investment in subsidiary undertaking		**-**	(2,560)
Operating profit	4	**1,448**	674
Finance income	7	**47**	267
Profit on ordinary activities before taxation		**1,495**	941
Income tax expense	8	**(288)**	(716)
Profit on ordinary activities after taxation		**1,207**	225
Total comprehensive income for the year		**1,207**	225

Registered number
SC190053

Statement of financial position

At 31 December 2017	Notes	2017 £000	2016 £000
Assets			
Non-current assets			
Plant and equipment	9	**19**	51
Investments in subsidiaries	10	**1**	1
Deferred tax assets	8	**25**	12
Total non-current assets		**45**	64
Current assets			
Trade and other receivables	11	**3,150**	3,053
Amounts due from group undertakings	11	**4,468**	14,161
Prepayments and accrued income	11	**5,087**	5,343
Cash and short-term deposits	12	**22,232**	11,310
Total current assets		**34,937**	33,868
Total assets		**34,982**	33,932
Current liabilities			
Trade and other payables	13	**12,450**	12,352
Amounts due to parent undertaking	13	**1,961**	1,926
Amounts due to fellow subsidiary undertaking	13	**277**	275
Income tax payable	13	**290**	716
Deferred income	13	**6,800**	6,666
Total current liabilities		**21,778**	21,935
Equity			
Share capital	15	**6,500**	6,500
Retained earnings		**6,704**	5,497
Total equity		**13,204**	11,997
Total equity and liabilities		**34,982**	33,932

The financial statements were approved by the Board of Directors on 18 October 2018 and signed on its behalf by:

Louise Williamson
Managing Director
BAM FM Limited
18 October 2018

Registered number
SC190053

Statement of changes in equity

For the year ended 31 December 2017	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2016	6,500	5,272	**11,772**
Total comprehensive income for the year	-	225	**225**
Balance at 31 December 2016	6,500	5,497	**11,997**
Total comprehensive income for the year	-	1,207	**1,207**
Balance at 31 December 2017	6,500	6,704	**13,204**

Notes to the financial statements

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

The financial statements of BAM FM Limited (the 'Company') for the year ended 31 December 2017 were authorised for issue by the board of directors on 18 October 2018 and the balance sheet 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 IFRS 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 accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) The requirements of IFRS 7 Financial Instruments: Disclosures;
b) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
c) 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; and
    ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment.
d) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
e) The requirements of IAS 7 Statement of Cash Flows;
f) The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
g) 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;
h) The requirements of paragraphs 134 (d) to 134 (f) and 135 (c) to 135 (e) of IAS 36 Impairment of Assets; and
i) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.2 Changes in accounting policy and disclosures

New and amended standards and interpretations adopted by the Company

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods. The nature of each amendment is described below:

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

2.3 Judgements and key sources of estimation uncertainty

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

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

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

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.

c) Trade and other debtors

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

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

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies

a) Revenue recognition

Service concession arrangements

Revenue in connection with service concession arrangements comprises of maintenance, facilities management and energy services for buildings and property estates. Revenue is recognised in conformity with the revenue recognition principles of construction contracts. Revenue depends on the availability of the underlying asset (PPP receivables). Due to the nature of the contractual arrangements the projected cash flows can be estimated with high degree of certainty.

In case the concession payments depend on the availability of the underlying asset, revenue consists of:

- The fair value of the contractually agreed upon services rendered; and
- The interest income related to the capital expenditure in the project

Revenue is recognised in the period in which the related services are rendered. Interest is recognised in the income statement within 'finance income' in the period to which it relates.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales of goods are recognised upon delivery to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

When the outcome of a transaction cannot be measured reliably, revenue is recognised only to the extent of the costs incurred that are recoverable.

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

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

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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

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

e) 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 income statement 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 income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

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 income statement net of any reimbursement.

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

g) Financial Instruments

1) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loan notes, and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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

2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The 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.

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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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) Trade receivables and other debtors

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

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

i) Cash at bank and in hand

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

j) Income taxes

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

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

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

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

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

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

Notes to the financial statements (continued)

3. Turnover

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

	2017 £000	2016 £000
Revenue from FM services	**47,465**	47,177
Turnover from continuing operations	**47,465**	47,177

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. The charge for the year was £1,274k (2016: £1,159k).

5. Auditor's remuneration

	2017 £000	2016 £000
Audit of the Company's financial statements	**36**	36

Fees paid to the Company's auditor, Ernst & Young LLP, for services other than the statutory audit of the Company are not disclosed in BAM FM Limited's statutory accounts since the consolidated financial statements of the Company's parent, BAM Construct UK Limited are required to disclose non-audit fees on a consolidated basis.

6. Staff costs and directors' remuneration

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

During the year 2017 Graham Cash, a director of the Company, was also a director of the immediate parent, BAM Construct UK Limited. His remuneration is paid by and attributable to services provided to BAM Construct UK Limited and has been disclosed in the statutory accounts of that entity. Graham retired as of 31 December 2017.

L Williamson, a director of the Company, received remuneration from BAM Construct UK Limited as an employee of that company. Directors' emoluments are subsumed within management charges levied by BAM Construct UK Limited on the Company (see Note 4), but the amount is not separately identified within this recharge.

J Wimpenny was appointed Director of the business on 1 January 2018.

Directors' emoluments are subsumed within management charges levied by BAM Construct UK Limited on the Company (see Note 4), but the amount is not separately identified within this recharge.

7. Finance income

	2017 £000	2016 £000
Bank interest receivable	**19**	9
Interest receivable from group undertakings	**-**	258
Interest receivable from subsidiary undertakings - SML	**23**	-
Interest receivable from subsidiary undertakings - BAM Energy	**5**	-
	47	267

2016 Interest receivable from group undertakings relates to outstanding loan made to a fellow subsidiary of BAM Construct UK Ltd. 2017 Interest receivable from subsidiary undertakings relates to outstanding loan made to a fellow subsidiary, BAM Energy Limited (BAM Energy) and Sutton Maintenance Limited (SML).

Notes to the financial statements (continued)

8. Income tax

a) Tax charged in the income statement

	2017 £000	2016 £000
Current income tax		
Current income tax charge	**291**	718
Adjustments in respect of current income tax of previous year	**10**	-
	301	718
Deferred taxation		
Origination and reversal of temporary differences	**(13)**	(2)
Adjustment in respect of prior years	**-**	-
Total deferred tax charge	**(13)**	(2)
Income tax expense reported in the profit or loss	**288**	716

b) Reconciliation of the total tax charge

The tax rate charged on profits on ordinary activities for 2017 is higher (2016: higher) than the statutory corporation tax rate enacted in the UK. The corporation tax rate of 19.25% for 2017 (2016: 20%) is derived as a pro-rata figure due to the change in statutory corporation tax rates enacted for the fiscal year (April to March). The statutory corporation tax rate from April 2017 was 19% (2016: 20%). The differences are reconciled below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	**1,495**	941
Profit on ordinary activities multiplied by UK Corporation tax rate of 19.25% (2016: 20%)	**288**	188
Expenses not deductible for corporation tax purposes	**-**	525
Effect of changes in tax rate	**3**	3
Movement in other timing differences	**(13)**	-
Adjustment in respect of prior years	**10**	-
Total current tax charge	**288**	716

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 and 17% from 1 April 2020. Any deferred tax expected to reverse in these years has been re-measured using these rates as appropriate.

d) Deferred tax

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

	2017 £000	2016 £000
Deferred tax asset		
Balance at 1 January	**12**	10
Arising year	**13**	2
Balance at 31 December	**25**	12

There are no unprovided deferred tax liabilities.

Notes to the financial statements (continued)

8. Income tax (continued)

Deferred tax provided in the financial statements is as follows:

	2017 £000	2016 £000
Deferred tax asset		
Accelerated capital allowances	**14**	12
Origination and reversal of timing differences	**11**	-
	25	**12**

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 2016	54	606	**660**
Additions	-	11	11
Disposals	-	-	**-**
Balance at 31 December 2016	54	617	**671**
Additions	-	1	**1**
Disposals	-	-	**-**
Balance at 31 December 2017	54	618	**672**
Depreciation			
Balance at 1 January 2016	54	527	**581**
Charge for the year	-	39	**39**
Eliminated on disposals	-	-	**-**
Balance at 31 December 2016	54	566	**620**
Charge for the year		33	**33**
Eliminated on disposals	-	-	**-**
Balance at 31 December 2017	54	599	**653**
Net book value			
At 1 January 2016	-	79	**79**
At 31 December 2016	-	51	**51**
At 31 December 2017	-	19	**19**

Notes to the financial statements (continued)

10. Investments

	Investment in subsidiary £000	**Total £000**
Cost		
Balance at 1 January 2016	2,560	**2,560**
Additions	1	**1**
Impairments	(2,560)	**(2,560)**
	1	**1**
Balance at 31 December 2016	1	**1**
Additions	-	**-**
Impairments	-	**-**
Balance at 31 December 2017	1	**1**
Carrying value		
At 1 January 2016	2,560	**2,560**
At 31 December 2016	1	**1**
At 31 December 2017	1	**1**

During 2016 we impaired the asset of Sutton Maintenance Limited.

Entity name	**Interest in voting equity**	**Country of incorporation**	**Nature of business**
BAM Energy Limited	100%	United Kingdom	Renewable Energy Services
Sutton Group Limited	100%	United Kingdom	Holdings Company

11. Trade and other receivables

	2017 £000	2016 £000
Current		
Trade and other receivables	**3,150**	3,053
Amounts due from fellow group undertakings	**4,468**	14,161
Prepayments and accrued income	**5,087**	5,343
	12,705	22,557

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

Amounts due from fellow group undertakings of £4,468k (2016: £14,161k) include a £2,100k (2016: nil) loan bearing interest of LIBOR plus 2% issued to Sutton Maintenance Limited with a maturity date of 31 December 2018, a £300k (2016: 150k) loan bearing interest of LIBOR plus 2% issued to BAM Energy Limited repayable on 30 September 2018 and £2,068k (2016: £14,011k) to other group undertakings which are interest-free and repayable upon demand.

12. Cash at bank and in hand

2017 restricted cash £3,124k (2016: £2,956k) of cash at bank and in hand is not available for use without joint agreement with third parties.

Notes to the financial statements (continued)

13. Trade and other payables

	2017 £000	2016 £000
Current		
Trade and other payables	**12,450**	12,352
Amounts due to parent undertaking	**1,961**	1,926
Amounts due to fellow subsidiary undertaking	**277**	275
Income tax payable	**290**	716
Deferred income	**6,800**	6,666
	21,778	21,935

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

14. Provisions and contingent liabilities

The company, along with other group companies, has provided a guarantee against a €400 million (2016: €400 million) committed credit facility to its ultimate parent undertaking, Royal BAM Group n.v. The amount drawn under the committed credit facility at the year end was €nil million (2016: €nil).

The company, along with other group companies, has provided guarantees against these loans advanced to Royal BAM Group n.v. The directors are satisfied that Royal BAM Group n.v. is currently able to fulfil all its obligations under these agreements without recourse to any of the Guarantors.

The company along with other UK subsidary companies of BAM Group n.v., is party to a guarantee in respect of any individual company balance within the cash pooling facility provided bt National Westminster plc. At 31 Decmeber 2017, none of the companies in the pooling facility had an overdraft (2016: £nil). The net overdraft position in the cash pooling facility at 31 Decemeber 2017 was £nil (2016: £nil). This guarantee is not expected to give rise to any loss.

15. Authorised and issued share capital

	2017 Number	2017 £000	2016 Number	2016 £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	**6,550,000**	**6,550**	6,500,000	6,500

16. 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.

17. 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.

18. Events since the balance sheet date

There have been no material issues that affect the contents of this report since the balance sheet date.

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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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