BAM Properties Limited

Annual Report and Accounts 2017

www.bam.co.uk


Atlantic Square,
Glasgow

Grade A office development

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

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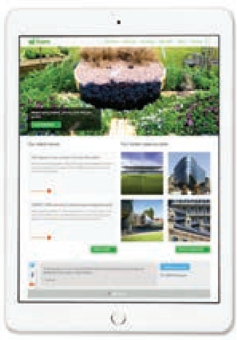
Cover image:
Capital Square, Edinburgh



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

Registered number
3283033


Fifty Three Point Eight
Latitude PRS, Leeds

BAM in brief

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

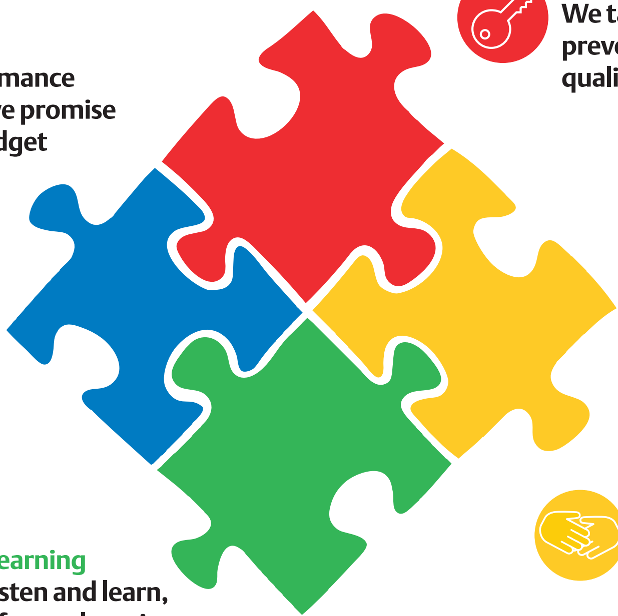
BAM Construct UK operates throughout England, Scotland and Wales and engages in property development, design, services engineering, construction and facilities management services.

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

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

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

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



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

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

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

Group strategic report

2017 saw excellent progress in securing quality projects for the development pipeline.

Dougie Peters
Managing Director, BAM Properties

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

Review of the business

	2017	2016
	£000	£000
Turnover	**243**	31,095
(Loss) / Profit before taxation	**(2,172)**	10,429
(Loss) / Profit after taxation	**(2,009)**	8,338

Political and economic uncertainty was ever present in 2017 with a snap UK general election, the ongoing Brexit negotiation process and unpredictability on the wider international stage. The UK property market on the face of it has accepted this uncertainty as the new norm and has continued to function in line with recent years. The UK is still seen as a safe and stable market for domestic and overseas investors which provides both capital preservation and growth opportunities. Of course within this there are regional variations with some locations and sectors seeing more activity than others.

The group made significant progress in 2017. Following a successful phase of letting and selling existing stock over recent years, new investment was made in a number of development projects. With the focus on investment, the low level of current stock has meant a loss has been recognised in the year. The new investment will drive profitability in future years.

In conjunction with Hermes, a new prime office development site was acquired in the centre of Edinburgh at Capital Square. The development comprises c. 122,000 sq ft of Grade A office accommodation. Work started on site in October 2017 and completion is scheduled for Q2 2020.

In joint venture with Taylor Clark, preferred bidder status was secured in Q4 2017 for the Government Property Agency's Glasgow Hub at the site at Atlantic Square, Glasgow. The deal reached legal completion in early 2018 with work commencing on site shortly thereafter. HMRC has pre-let all of Building 1, equating to c. 187,000 sq ft of Grade A office accommodation. Building 1 has been forward sold to Legal & General. The joint venture is speculatively developing Building 2 of c. 96,000 sq ft in tandem with the development of Building 1.

The student accommodation development at Stoddart Street, Newcastle being undertaken in the BAM Connislow joint venture reached practical completion in the year. This development was forward sold to Curlew Student Trust. Following a final financial reconciliation profit will flow from this project in 2018.

During 2017 the group pursued the possibility of providing a Private Rental Sector (PRS) residential development on part of the Latitude, Leeds office development site. This has been positively received by the local authority planners and a full planning application is to be submitted shortly. Good investor interest exists in this development opportunity. The group is keen to explore further this sector of the UK property market which is forecast to grow significantly over coming years.

The group has successfully re-entered an investment phase and is actively seeking further new development opportunities. High quality sustainable development sites in prime locations are sought. Site selection remains paramount. Imbalance in supply and demand, particularly in some regional markets, will provide opportunity.

The group is well placed looking forward to 2018 and beyond with a small number of quality development projects and in a debt free position.

Group strategic report (continued)

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

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

Principal risks and uncertainties

Competitive risks

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

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

Legislative risks

The group is required to comply with all applicable legislation, but in particular covering activities such as the Construction Industry Scheme, health and safety and relevant building standards for construction and property.

This is achieved through established and readily available best practice procedures. The group also makes use of specialists within the BAM Construct UK Limited with the relevant knowledge and experience in order to proactively manage these potential risks and ensure compliance at the highest level.

Liquidity Risk

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

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

On behalf of the Board.

Dougie Peters
Managing Director
24 September 2018

Atlantic Square, Glasgow

Directors' report

The Directors present their annual report and accounts for the year ended 31 December 2017.

The company's registered number is 3283033.

Group results and dividends
The loss of the group for the year is set out in the income statement on page 11.

The directors are unable to recommend the payment of a dividend in respect of the year (2016: £nil).

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

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

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

Directors
The following served as directors during the year ended 31 December 2017 and subsequent to that date:
- G Cash (resigned 31 December 2017)
- D Peters
- J Wimpenny (appointed 1 January 2018)

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

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

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

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

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

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

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

Qualifying third party indemnity provisions for directors
The company's ultimate parent undertaking maintains liability and indemnity insurance for its directors and officers and for those of its subsidiaries. This provision has been in place throughout the year and remains in force at the date of approving the directors' report.

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

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

On behalf of the Board.

Dougie Peters
Managing Director
24 September 2018

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of BAM Properties Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Group statement of comprehensive income, Group and Parent company statement of financial position, Group statement of changes in equity and the Group cash flow statement and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- The financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

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

Other information

The other information comprises the information included in the annual report, 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.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

25 SEP 2018

Group statement of comprehensive income

For the year ended 31 December 2017	Notes	2017 £000	2016 £000
Turnover	3	**243**	31,095
Cost of sales		**(689)**	(18,948)
Gross (loss) / profit		**(446)**	12,147
Reversal / (Impairment) of amounts due from group undertakings		**45**	(168)
Administrative expenses	4	**(2,039)**	(1,902)
Other operating income	5	**293**	598
Group operating (loss) / profit		**(2,147)**	10,675
Share of operating profit in joint venture		**–**	–
Total operating profit: group and share of joint venture			10,675
Interest income		**2**	21
Interest expense	7	**(27)**	(267)
(Loss) on ordinary activities before taxation		**(2,172)**	10,429
Taxation	8	**163**	(2,091)
(Loss) for the financial year		**(2,009)**	8,338
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(2,009)**	8,338

All items in the income statement relate to continuing operations.

Registered number
3283033

Group and Parent company statement of financial position

At 31 December 2017	Notes	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Assets					
Non-current assets					
Investment in subsidiaries	9	**–**	**–**	–	–
Investment in joint ventures	9	**–**	**–**	–	–
Total non-current assets		**–**	**–**	–	–
Current assets					
Inventories, land and property developments	10	**34,052**	**5,359**	29,646	1,294
Amounts due from parent		**-**	**-**	9,912	9,912
Amounts due from subsidiary undertakings	11	**-**	**27,968**	–	27,352
Amounts due from joint ventures	17	**50**	**50**	794	794
Retentions		**399**	**-**	399	–
Trade and other receivables	11	**691**	**647**	720	659
Current tax receivable		**163**	**188**	–	–
Prepayments and accrued income		**1**	**-**	8	–
Cash at bank and in hand		**537**	**348**	2,566	2,417
Total current assets		**35,893**	**34,560**	44,045	42,428
Total assets		**35,893**	**34,560**	44,045	42,428
Current liabilities:					
Amounts owed to parent	12	**5,500**	**5,500**	–	–
Amounts owed to group undertakings	12	**1,810**	**4,892**	10,391	13,501
Corporation tax	12	**-**	**-**	2,091	2,224
Trade creditors and other payables	12	**545**	**545**	673	646
Accruals	12	**155**	**111**	998	477
Total current liabilities		**8,010**	**11,048**	14,153	16,848
Total liabilities		**8,010**	**11,048**	14,153	16,848
Capital and reserves					
Share capital	14	**30,000**	**30,000**	30,000	30,000
Profit and loss account		**(2,117)**	**(6,488)**	(108)	(4,420)
Total equity		**27,883**	**23,512**	29,892	25,580
Total equity and liabilities		**35,893**	**34,560**	44,045	42,428

The accounts on pages 11 to 32 were approved by the Board of Directors on 24 September 2018 and signed on its behalf by:

Dougie Peters
Managing Director

Group statement of changes in equity

For the year ended December 2017	Share capital £000	Profit and loss account £000	**Total £000**
Shareholder's funds at 1 January 2016	30,000	((8,446)	**21,554**
Total comprehensive income	-	8,338	**8,338**
Shareholder's funds at 31 December 2016	30,000	(108)	**29,892**
Total comprehensive income	-	(2,009)	**(2,009)**
Shareholder's funds at 31 December 2017	30,000	(2,117)	**27,883**

Group cash flow statement

Cash flows from operating activities	2017 £000	2016 £000
(Loss) / profit before tax	**(2,172)**	10,429
Working capital adjustments		
Decrease in trade and other receivables	**10,685**	2,955
Decrease in amounts due from customers under construction contracts	**–**	–
Decrease in prepayments and accrued income	**7**	52
(Increase) / decrease in inventories	**(4,406)**	16,794
Increase in trade and other payables and accruals	**(971)**	(1,199)
Decrease in other liabilities	**(5,335)**	(18,650)
Income taxes received	**163**	(2,091)
Net cash from operating activities	**(2,029)**	8,290
Cash flows from investing activities	**–**	–
Cash flows from financing activities		
Repayments of borrowings	**–**	(8,484)
Interest paid	**–**	(214)
Net cash flow from financing activities	**–**	(8,698)
Net decrease in cash and cash equivalents	**(2,029)**	(408)
Cash and cash equivalents at beginning of period	**2,566**	2,974
Cash and cash equivalents at end of period	**537**	2,566

Notes to the financial statements

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

These consolidated financial statements comprise BAM Properties Limited and its subsidiaries (the 'Group') for the year ended 31 December 2017. The Group and Company financial statements were approved by the board of directors on 24 September 2018 and the balance sheet was signed on the board's behalf by Dougie Peters. BAM Properties Limited is incorporated and domiciled in England and Wales.

The Group is primarily involved in the development of commercial properties and the provision of construction services. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Companies Act 2006.

These consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

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

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

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The Directors have taken advantage of the exemption under section 408 of the Companies Acts 2006 not to present the company's individual statement of comprehensive income. The company only loss for the year is £2,068,000 (2016: Profit £11,856,000).

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

Judgement and key sources of estimate uncertainty

Inventories: Land and property developments

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

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

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

Notes to the financial statements (continued)

2. Accounting policies (continued)

Trade and other receivables

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

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

2.2 Changes in accounting policy and disclosures

New and amended standards and interpretations

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

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

Amendments to IAS 27: Equity Method in Separate Financial Statements

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

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

Amendments to IAS 1 Disclosure Initiative

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

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

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

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Notes to the financial statements (continued)

2. Accounting policies (continued)

The Group plans to adopt the new standard on the required effective date. The Group is yet to perform impact assessment of all three aspects of IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting

The Group does not expect a significant impact as a result of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group is in the business of developing commercial properties and providing construction services.

(a) Sale of development

Contracts with customers in which the sale of development is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on transfer of the title of the development.

(b) Construction contracts

The Group provides construction services. Currently, the Group recognises service revenue by reference to the stage of completion. Under IFRS 15, the Group has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, the Group would continue to recognise revenue for these services over time rather than at a point of time.

(c) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. The Group is developing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

Notes to the financial statements (continued)

2. Accounting policies (continued)

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

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 that deductible temporary difference. 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Going concern

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

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

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

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

Basis of consolidation

The group accounts consolidate the accounts of BAM Properties Limited and all its subsidiaries drawn up to 31 December 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote-holders of the investee;
- Rights arising from other contractual arrangements;
- The wider Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the Parent company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any part-investment retained is recognised at fair value.

(a) Joint arrangements
Investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations. Joint ventures are joint arrangements whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint venture. The parties to the arrangement have agreed contractually that control is shared and decisions regarding relevant activities require unanimous consent of the parties which have joint control of the joint venture.

(b) Joint ventures
Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Inventories: Land and property development
Land and property developments are recorded at the lower of cost and net realisable value. The group capitalises interest on specific finance raised once development commences and until practical completion, based on the total actual finance cost incurred on the borrowings during the year. When properties are acquired for future redevelopment, interest on borrowings is expensed to the profit and loss account. When redevelopment commences interest on borrowings is capitalised as above. The cumulative amount of interest capitalised in the land and developments relating to assets included in work in progress at the balance sheet date is £2,842,628 (2016: £2,842,628).

Long term contracts
Contract work in progress is valued at total cost incurred plus attributable profits less foreseeable losses and applicable payments on account. The resultant balance is included under debtors as 'amounts recoverable on contracts', under creditors as 'payments on account', or under creditors as 'accruals for foreseeable losses'. Total cost includes direct cost and allocated production overhead. Profit on long term contracts is taken as the work is carried out once the final outcome of the project can be assessed with reasonable certainty. Provision is made for losses on contracts in the year in which they are foreseen.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Cash and short-term deposits

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

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

Interest bearing loans and borrowings

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

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

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

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

Revenue recognition

Turnover and profit are recognised as follows:

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion.

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by dividing the actual costs by the total forecasted costs.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Property development

Sale of property development are recognised in respect of contracts exchanged during the year, provided that no material conditions remain outstanding on the balance sheet date and all conditions are fully satisfied by the date on which the contract is signed. Rental income from incidental operations in connection with property development is recognised in the income statement on an accruals basis. Known and expected losses are recognised as an expense immediately on completing a development once such losses are foreseen. The profit on disposal of property developments is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the reporting period including additions in the period and any residual commitments.

Notes to the financial statements (continued)

2. Accounting policies (continued)

When the buyer is able to specify the major structural elements of the design of property development before construction begins and / or specify major structural changes once construction is in progress (whether it exercises that ability or not), revenue is recognised in accordance with construction contracts. When the Group transfers control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses to the buyer, revenue is recognised in accordance with 'construction contracts'. This may be the case in house-building projects as from the moment that the land and buildings, if any, have been legally transferred to the buyer.

Letting Fee income - forward sale of the Queen Street development

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

Rental income

Rental income arising from operating leases in connection with development properties is accounted for on a straight line basis over the lease term.

The cost of lease incentives is allocated on a straight line basis over the lease term.

Operating income

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

Finance income

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

Provision for liabilities

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

Deferred taxation

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

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

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

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

Notes to the financial statements (continued)

3. Turnover

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

Turnover recognised in the income statement is analysed as follows:

	2017 £000	2016 £000
Sale of development	–	18,100
Construction contracts	–	–
Letting Fee Income	243	12,995
	243	31,095

4. Administrative expenses

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

	2017 £000	2016 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	22	22
Fees payable to the company's auditor for other services:		
The audit of the company's subsidiaries pursuant to legislation	35	74
Total	57	96

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

Non-Audit fees are nil (2016: nil).

5. Other operating income

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

	2017 £000	2016 £000
Rental income	100	202
Short term car park leases	78	83
Management fees form JV projects	37	313
Other income	78	-
	293	598

Notes to the financial statements (continued)

6. Directors' emoluments

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

The remuneration for D Peters, a director of the company during the year, is paid by BAM Construct UK Ltd. The remuneration for services provided to the company by D Peters is considered to be negligible, hence disclosed as nil (2015: nil).

The Company did not employ any staff (2016: nil).

7. Interest expense

	2017 £000	2016 £000
Bank and other interest	**–**	57
Group undertakings	**27**	210
Interest expense	**27**	267

The cumulative amount of interest capitalised in the land and developments at the balance sheet date is £2,842,628 (2016: £2,842,628).

Notes to the financial statements (continued)

8. Taxation

	2017 **£000**	2016 £000
a) Tax (credit) / charge on (loss) / profit on ordinary activities		
Current tax		
UK Corporation tax	**163**	2,091
Adjustment in respect of earlier years		
Group	**–**	–
Total current tax charge	**163**	2,091
Deferred tax charge	**–**	–
Tax on profit	**163**	2,091

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

b) Factors affecting current tax (credit) / charge

The tax assessed on the (loss) / profit on ordinary activities for the year is lower (2016: higher) than the rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are reconciled below:

	2017 **£000**	2016 £000
(Loss) / profit on ordinary activities before tax	**(2,172)**	10,429
(Loss) / profit on ordinary activities multiplied by the rate of UK corporation tax at 19.25% (2016: 20.00%)	**(418)**	2,086
Adjustment in respect of earlier years	**255**	–
Expenses not deductible for tax purposes	–	5
	(163)	2,091

c) Factors affecting the future tax charge

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

Notes to the financial statements (continued)

9. Investments

	2017 £000	2016 £000
Investment carrying amount	**-**	-

Subsidiary undertakings, and joint ventures

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

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

Joint ventures		
BAM Connislow Limited (50%)*	Property development	183 St Vincent Street, Glasgow, G2 5QD
Discovery Quay Development Limited (33%)*	Property development	183 St Vincent Street, Glasgow, G2 5QD

***registered in Scotland**

Joint venture

A part of the Group's activities is carried out in joint ventures. These arrangements remain in place until a project is finished. In practice, the duration of the majority of the joint ventures are limited to a period of between 1 and 4 years, with the exception of joint ventures in connection with land and building rights held for strategic purposes.

The Group has a 50% interest in BAM Connislow Limited (joint venture) and a 33% interest in Discovery Quay Development Limited (associate).

The share of loss for the joint venture for the year was 2,000 (2016: loss of £6,000). This was not recognised due to cumulative losses in the joint venture.

The Group's share of the balance sheets of the joint venture is indicated below:

	2017 £m	2016 £m
Assets		
Non-current assets	**–**	–
Current assets	**0.6**	0.8
	0.6	0.8
Liabilities		
Non-current liabilities	**–**	–
Current liabilities	**(0.6)**	(0.8)
	(0.6)	(0.8)
Net balance	**–**	–

The Group has no contingent liabilities or capital commitments under the joint venture. Transfers of funds and / or other assets are made in consultation with the partners of the joint venture.

Notes to the financial statements (continued)

10. Inventory, land and property developments

	Group 2017 £000	**Company 2017 £000**	Group 2016 £000	Company 2016 £000
As at 1 January	**29,646**	**1,294**	46,440	18,119
Acquisition of property	**–**	**–**	–	–
Subsequent expenditure	**4,565**	**4,065**	165	134
Impairment	**(159)**	**–**	–	–
Sale of property	**–**	**–**	(16,959)	(16,959)
As at 31 December	**34,052**	**5,359**	29,646	1,294

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

The carrying value of the property includes historical capitalised interest of £2,842,625 (2016: £2,842,625).

Notes to the financial statements (continued)

11. Current assets

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Other debtors	**578**	**578**	651	651
Value added tax	**113**	**69**	69	8
	691	**647**	720	659

	Company 2017 £000	Company 2016 £000
Amounts due from Subsidiary Undertakings		
Amounts due from Subsidiaries 31 December	**41,015**	50,281
Provision for Impairment 31 December	**(13,047)**	(22,929)
	27,968	**27,352**

	Company 2017 £000	Company 2016 £000
Movement in Provision for Impairment		
At 1 January	**22,929**	22,761
Utilised in the year	**(9,837)**	-
(Credited)/ Charged to the income statement	**(45)**	168
At 31 December	**13,047**	22,929

Amounts due from subsidiary companies that were dissolved during the year totalling £9,837k were written off in the year. These amounts had been fully impaired and are reflected in the movement in the provision for impairment above.

12. Current liabilities

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Due within one year				
Amounts due to immediate parent	**5,500**	**5,500**	-	-
Amounts due to group undertakings	**1,810**	**4,892**	10,391	13,501
Corporation tax	**-**	**-**	2,091	2,224
Trade creditors and other payables	**545**	**545**	673	646
Accruals	**155**	**111**	998	477
	8,010	**11,048**	14,153	16,848

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

Notes to the financial statements (continued)

13. Financial assets and liabilities

Managing financial risk is an integral part of the Group's conduct of business. Stringent policies designed to identify, manage, and mitigate both existing and new risks apply at various levels of management throughout BAM Construct UK's business units.

a) Credit risk

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

b) Liquidity risk

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

c) Price and value risk

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

The Group finances projects through a combination of bank funds and financing from other group entities. New projects are evaluated with regard to these financing arrangements. Live projects are monitored continuously with regular forecasting, to identify any deviation early and ensure managers take corrective action, thus minimising financial risk. This ensures that any observable evidence of impairment for loss-making contracts can be identified as early as possible. No significant uncovered risks were identified for the period presented in this report, or at the time this report was approved by directors.

The Group's principal financial liabilities comprise trade and other payables and amounts due to customers under construction contracts. The main purpose of these financial liabilities is as a consequence of its operations within a traditional property business. The Group's principal financial assets include trade and other payables, deferred tax and provisions that arrive directly from its operations.

Notes to the financial statements (continued)

13. Financial assets and liabilities (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

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

Year ended 31 December 2016	Carrying amount	<1 year
Non- recourse property financing	-	-
Amounts due to immediate parent	-	-
Amounts due to group undertakings	10,391	10,391
Trade and other payables	673	673
	11,064	11,064

Fair values of financial assets and liabilities

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

Notes to the financial statements (continued)

14. Called up share capital

	2017 £000	2016 £000
Authorised, allotted, called up and fully paid:		
30,000,000 ordinary shares of £1 each	**30,000**	30,000

15. Contingent liabilities

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

b) The company, along with other group companies, is party to a guarantee in respect of any individual company overdraft balance within the cash pooling facility with the Bank of Scotland. At 31 December 2017 there were overdraft balances in a number of group companies in the cash pooling facility amounting to £nil (2016: £nil). The net overdraft position in the cash pooling facility as at 31 December 2017 was £nil (2016: £nil). This guarantee is not expected to give rise to any loss.

16. Operating lease where the Group is lessor

The Group holds a surplus office and manufacturing building which is let to a third party. This non-cancellable lease has a remaining term of less than one year.

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

	2017 £000	2016 £000
Not later than one year	**76**	100
After one year but not more than five	**-**	76
After five years	**-**	-
	76	176

Notes to the financial statements (continued)

17. Related party transactions

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

Apart from transactions with related Group entities, no other related party transactions were recorded for 2017 (2016: nil).

No director or employee of the BAM Properties Limited Group of companies has entered, either directly or through a closely related party, into a non-employment related commercial transactions with any Royal BAM Group company during the period. Transactions with related parties include the following:

	2017 £000	2016 £000
Amounts due from:		
BAM Connislow Limited (joint venture) – loan @ 7%, repayable on demand	**50**	794
BAM Construct UK Limited (immediate parent) – loan @ LIBOR + 2%, repayable on demand	**–**	9,912

	2017 £000	2016 £000
Management fees paid within the year:		
BAM Construct UK Limited	**434**	446

	2017 £000	2016 £000
Amounts due to:		
BAM Construct UK Limited (immediate parent) – loan @ LIBOR + 2%, repayable on demand	**5,500**	–
BAM Construction Limited (fellow subsidiary) - interest free, repayable on demand	**1,810**	391
BAM FM Limited (fellow subsidiary) – loan @ LIBOR + 2%, repayable on demand	**-**	10,000
Total amount outstanding at 31 December	**7,310**	10,391

For the year ended 31 December 2017, the Group recorded a reversal of impairment of amounts due from group undertakings of £45,000 (2016: impairment of £168,000).

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

18. Parent undertakings and controlling party

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

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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
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