

# BAM Nuttall Limited

## Report and Accounts 2017

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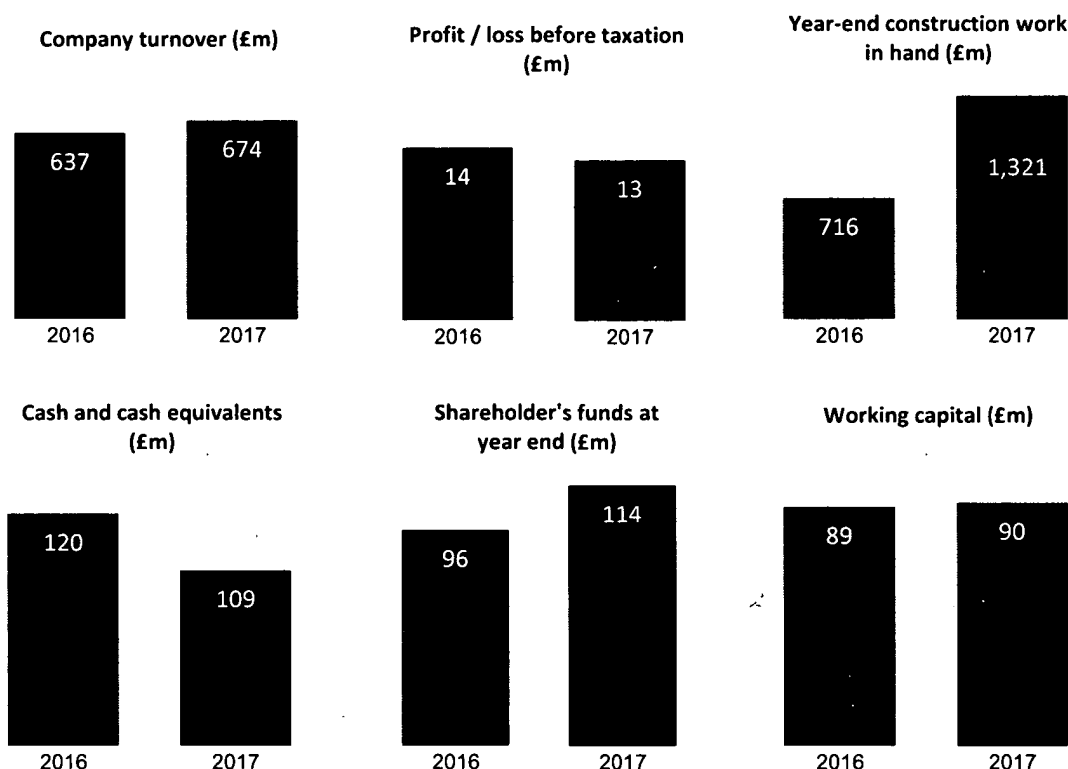
## Strategic Report

The principal activity of BAM Nuttall Limited (the 'Company') is that of civil engineering, carried out through operating divisions, together with contracting and other related activities.

The Company is a subsidiary of Koninklijke BAM Groep n.v. (Royal BAM Group), which is based in the Netherlands.

### Business Review

A summary of the Company's key performance indicators is as follows:



This year our Company has performed well having achieved Group expectations in terms of profitability and turnover. We generated a profit before tax of £12.8m (2016: £14.3m) on a turnover of £674m (2016: £637m) producing a margin of 2% (2016: 2%).

The safety performance of the Company shows further improvement on a statistical basis, and is at its lowest level ever. However, we continue to be involved in very significant incidents. The company remains absolutely committed to preventing all injuries and harm in construction, and seeks to continuously progress this journey.

Our work to promote a fundamental change in forward tipping dumper design has enjoyed considerable support across the industry, with two manufacturers very close to launching prototypes. On our own projects we have seen a 90% reduction in the use of this type of equipment as we find other solutions to moving materials.

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## Strategic Report (cont)

Our separate approach to Health in the three strands of Mental Health, Personal Health and Occupational Health is now fully embedded. In 2018 we are taking a position step towards the eradication of the use of tools that have the potential to cause Hand Arm Vibration Syndrome. The presumption within the business is that these tools are only used by exception and specific authority. We intend to create a culture where all other options are preferred.

Our mental health and support programme continues to be rolled out and is having a marked impact on helping people. In 2018 we will extend this further to support partners in our supply chain and other stakeholders.

The overall management of the Company was reorganised in 2017 following the retirement of Bob James, and the desire to increase focus on work acquisition, culture and execution of projects. I would like to thank Bob for his loyal and excellent service to the Company for over 32 years. The Management Board now consists of eight persons focussed on preconstruction services, delivery support services, commercial, financial, culture and operational delivery. The number of statutory directors has been reduced to two as part of this team of eight in accordance with BAM Group preference. Martin Bellamy remains an integral part of the Management Board.

Our order book increased significantly in the second half of 2017 as a consequence of the new approach to management. The tender book continues to be strong with much better quality opportunities, although competition remains intense.

We successfully installed the ground-breaking gravity foundations for EDF at Blyth and the Northern Hub for Network Rail. Our Tottenham Court Road project for Transport for London was completed and was recognised by the BCIA as major project of the year. Our Hampstead Heath project won 'BCIA Medium Project of the Year' and our refurbishment of Tower Bridge won 'BCIA Small Project of the Year'. These wins were just part of our haul of six BCIA awards.

Our award winning Leeds Floods Alleviation Scheme was also completed.

Significant contract awards in 2017 included our Trans Pennine alliance for the ten year framework to improve the Pennine railway. Highways England awarded our joint venture both the M62 and M27 improvements. The EA WEM framework has continued to provide a good workload. The International division secured the award of a water treatment project in Sierra Leone.

The result of the UK referendum is not having any significant impact on our available work at present, and government commitments to infrastructure spending continue to give us confidence. However we need to see clarity of future arrangements for the free movement of the workforce, and access for trade to be unimpeded to give confidence to the market and economy generally which should allow the construction sector to fulfil its role in supporting the economy.

The challenges faced by some companies in our sector in the second half of 2017 have had no material impact on our business, however it is a timely reminder of the need to stick to business strategy, resist low margins and high risk in pursuit of volume, and to responsibly support our supply chain.

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## Strategic Report (cont)

### Principal Risks and Uncertainties

The principal risks inherent in our business are of a financial and legislative nature. The Company operates within the limits presented by its ultimate parent company, Royal BAM Group n.v.

The Company's exposure to and management of financial risk in relation to price risk, credit risk, liquidity and cash flow is detailed below:

- Price risk

This risk relates to our ability to properly evaluate the cost of projects at tender stage, the control and recording of these costs during construction and our ability to recover these costs under the prescribed payment terms of our contracts. Other financial risks relate to the financial standing of our customers and supply chain in terms of their ability to discharge their contracted obligations to us. Management of these financial risks is an integral part of the Company's formalised control processes and business procedures, including the preparation of monthly project cost reports and a detailed quarterly review of current projects by the Company's Board of Directors.

- Credit risk

The Company's policy is to trade only with recognised, creditworthy third parties. It is the policy of the Company that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, both at operating unit and company level, with the objective of minimising the Company's exposure to bad debts.

- Liquidity and cash flow risk

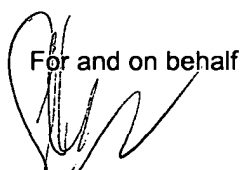
These risks are actively managed through the preparation and monitoring of a detailed twelve month rolling cash flow forecast and over a longer timescale by the preparation of a Medium Term Plan.

- Legislative risk

These relate primarily to health, safety and environmental issues. Each of these issues receives significant focus at all levels within the Company and mandatory policies and procedures have been implemented in order to mitigate and control these risks.

No significant uncovered risks were identified up to the date of these financial statements being issued.

For and on behalf of the Board



Stephen Fox CBE  
Chief Executive  
30 April 2018

## Directors' Report

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

### Directors of the company

The directors who served during the year ended 31 December 2017 and up to the date of this report are as follows:

S C Fox CBE  
R A E James (resigned on 01/06/2017)  
G M Renshaw  
M R Bellamy (resigned on 09/10/2017)

None of the directors have any personal or beneficial interest in the shares of The Royal BAM Group or the Company.

### Results and dividends

The results of the Company are set out on page 11. The directors declared and paid a dividend of £5,500,000 during the year (2016 - nil).

### Future developments

The Company intends to continue civil engineering activities, principally in the UK, but will also explore international opportunities.

### Going Concern

The Company's business activities are described in the Strategic Report on pages 2 - 4.

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

After making enquiries, the directors have a reasonable expectation that the company have 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.

### Sustainability

The Company continues to improve environmental and social performance and maintains a strong commitment to becoming a more sustainable and responsible business. We have contributed to BAM Group achieving a Climate A listing on the CDP Leadership Index.

### Research and development

The Company is a founder member of the construction industry innovation platform 13P. Throughout 2017 we have continued to run innovation events and to encourage research and development, both within our business and our supply chain.

Our investment in digital technologies has continued and we are working closely with digital survey companies. In this arena digital significantly reduces the risk to people as well as the digital benefits. Our work with Strathclyde University has continued, with Professor Rebecca Lunn fully funded by our R&D programme.

Our project for Network Rail at Lincoln has been delivered with a 100% paperless approach, a philosophy which we will extend to more projects in 2018.

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## Directors' Report (cont.)

### Employees

Investment in our people and culture has remained a strong theme for 2017. This has included the appointment of a People and Culture Director, Alasdair Henderson, who is a member of the Management Board.

Our Beyond Zero culture has been further developed and used to drive positive change through our business. This has included the successful transition from our five values; *Respectful, Inclusive, Trustworthy, Inventive and Responsible*, to a common set of four values; *Predictable Performance, Open Collaboration, Proactive Ownership and Scalable Learning*. These are shared across the Royal BAM group and align the guiding principles by which our people conduct themselves. We have additionally reorganised our Human Resources (HR) support department, to refocus our Training and Learning and Development functions on People Development and Talent Management, and to introduce two new functions to focus on Culture and Diversity and HR Systems.

We are committed to diversity and being an inclusive employer. Gender balance has had a significant focus, and we have continued our strong support to the Women in Science and Engineering (WISE) campaign. 2017 has seen a broader focus on all protected characteristics and a team of Diversity Champions established to challenge, educate and celebrate diversity.

Our health and wellbeing strategy aligns with our culture and confirms our commitment to the safety, occupational health, mental health and wellbeing and personal health of our people. In 2017, we have continued our programme of mental health training for managers and employees and have established a network of Mental Health and Wellbeing Champions across the business. These initiatives have supported our people and promoted a positive attitude and culture towards mental health. We have additionally introduced a programme of wellbeing days, to actively encourage employees to take time to engage in activities that promote their wellbeing. We support the mental health charity, Mind, and have taken part in their Workplace Wellbeing Index. The results are awaited and will further inform our 2018 initiatives.

We have a strong commitment to lifelong learning. The range of development programmes offered through the BAM Nuttall academy has grown to include the introduction of the BAM Manager Programme, Managing Mental Health and Managing Unconscious Bias courses and several new eLearning modules. This has been supported by the further promotion of our learning design and delivery standards, the development of our network of internal delivery specialists and the increasing use of technology in delivery.

Our apprenticeship and Higher National Diploma programmes attract and retain high quality learners and provide a route to academic qualifications and professional membership. The delivery model that we have adopted since 2014 is now a requirement of all new apprenticeship standards. To support this model, we have reorganised our early careers team and are in the process of moving our apprenticeship programme for civil engineering and quantity surveying to our new education partner, Leeds College of Building. These changes will help us best respond to the introduction of the apprenticeship levy and provide a cost effective model for future delivery. The launch of our BAM ambassador programme has further reinforced our commitment to engaging, connecting and inspiring young people into careers within our industry.

We are at the forefront of work-based learning, supporting the continuous professional development of our people throughout their careers and seeing us well placed to meet the requirements of the new degree level apprenticeship standards set for introduction in 2018. In conjunction with our mentoring and leadership programmes, this will support the retention of qualified people in the longer term. Last year 75 of our people achieved professional qualification, predominantly with the Institution of Civil Engineers (ICE) and Chartered Institution of Civil Engineering Surveyors (ICES). This has meant that over 50% of our technical staff are now professionally qualified, helping to differentiate our capability in a competitive market.

Our People Development team has now delivered 7,910 nationally recognised qualifications, with 2,614 of this being for our supply chain and attracting government funding where appropriate. We have completed 4 of the 26 National Skills Academy projects approved across the whole industry. We have 85% of our workforce holding at least one NVQ with an average of 2 NVQ's per person, recognising their

broad skill set. During 2017, the team delivered, coordinated and recorded over 12,000 training days, averaging over 4 days per person, and processed over 1000 competency cards. We sit on the Board of the Construction Skills Certification Scheme (CSCS) and the Management Committee of the Construction Plant Competence Scheme (CPCS), influencing schemes that represent the 2 million industry card holders.

Our Talent Management team focuses on developing our talented people for the future success of our business. Through design and implementation of new toolkits for line managers we are building a robust and rigorous approach to identifying potential, having structured and effective development conversations and helping employees reach their potential. Succession planning meetings with senior management teams help ensure that future planning for development and contingency is well structured across divisions.

We have continued to develop and deliver our competency framework and performance and development review process, with our career pathing work supporting the progression journey between roles. Recent development work has focussed on the design of leadership and management competencies across all roles, to ensure that appropriate development of core leadership skills is embedded into development plans. Our leadership and management development programmes add value to the development of our high potentials and ensure that support and challenging targets are delivered at the right point in career journeys.

Within the HR team, we have trained Insights practitioners delivering workshops to help our employees develop self-awareness of their working style and build better relationships across the business. This enables teams to work together quickly and effectively whilst improving communication, engagement and productivity.

### **Events since the balance sheet date**

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

### **Directors Liabilities**

The ultimate parent company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

### **Political donations**

No political donations were made during the year (2016 – £nil).

### **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 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**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.



S C Fox CBE  
Chief Executive  
30 April 2018

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## Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, and applicable law), including FRS101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 NUTTALL LIMITED**

### **Opinion**

We have audited the financial statements of BAM Nuttall Limited for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 20, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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.

### **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.

### **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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAM NUTTALL LIMITED (continued)**

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

### **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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

  
David Wilson (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor,  
London  
01 MAY 2018

# Statement of Comprehensive Income

for the year ended 31 December 2017

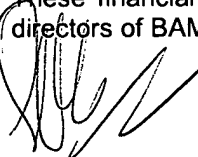
	Notes	2017 £000	2016 £000
<b>Revenue</b>	3	673,828	637,012
Costs and expenses		<u>(662,091)</u>	<u>(624,296)</u>
<b>Operating profit</b>	4	11,737	12,716
Profit on disposal of fixed assets		457	247
Net finance income	7	589	1,350
		<u>          </u>	<u>          </u>
<b>Profit before taxation</b>		12,783	14,313
Income tax charge	8	<u>(969)</u>	<u>(1,999)</u>
<b>Profit for the year</b>		11,814	12,314
<b>Other comprehensive income / (expense):</b>			
Actuarial gains/(losses) on defined benefit pension plans	17	14,082	(22,678)
Income tax relating to components of other comprehensive income	8	<u>(2,394)</u>	<u>4,371</u>
<b>Other comprehensive income / (loss) for the year, net of tax</b>		11,688	(18,307)
<b>Total comprehensive income / (loss) for the year</b>		<u><u>23,502</u></u>	<u><u>(5,993)</u></u>

All amounts relate to continuing operations

**Balance Sheet**  
at 31 December 2017

	Notes	2017 £000	Restated 2016 £000
<b>Fixed Assets</b>			
Intangible assets	9	238	661
Tangible assets	10	8,404	7,168
Investments	11	1	-
Defined benefit pension plan surplus	17	19,568	3,234
Deferred tax asset	8	1,521	2,750
		<u>29,732</u>	<u>13,813</u>
<b>Current assets</b>			
Stocks	12	1,832	1,176
Debtors due in less than one year	13	181,313	145,593
Debtors due in more than one year		2,417	7,047
Cash at bank and in hand		108,841	120,315
		<u>294,403</u>	<u>274,131</u>
<b>Creditors:</b> amounts falling due within one year	14	<u>(204,468)</u>	<u>(185,278)</u>
<b>Net current assets</b>		<u>89,935</u>	<u>88,853</u>
<b>Total assets less current liabilities</b>		119,667	102,666
<b>Creditors:</b> amounts falling due after one year			
Obligations under hire purchase contracts	15	(1,309)	(678)
Defined benefit pension plan deficit	17	-	(3,517)
Deferred tax liability	8	(3,384)	-
Provisions for liabilities	18	(1,161)	(2,660)
		<u>(5,854)</u>	<u>(6,855)</u>
		<u>113,813</u>	<u>95,811</u>
<b>Capital and reserves</b>			
Called up share capital	16	27,000	27,000
Profit and loss account		<u>86,813</u>	<u>68,811</u>
<b>Equity shareholders' funds</b>		<u>113,813</u>	<u>95,811</u>

These financial statements were authorised for issue in accordance with a resolution of the board of directors of BAM Nuttall Limited, registered number 305189.

  
S C Fox CBE  
Chief Executive

30 April 2018

## Statement of Changes in Equity

at 31 December 2017

	Share Capital £000	Retained Earnings £000	Total Equity £000
<b>As at 1 January 2016</b>	<b>27,000</b>	<b>74,804</b>	<b>101,804</b>
Profit for the year	-	12,314	12,314
Other comprehensive income	-	(18,307)	(18,307)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(5,993)</b>	<b>(5,993)</b>
Equity dividends paid	-	-	-
<b>At 31 December 2016</b>	<b>27,000</b>	<b>68,811</b>	<b>95,811</b>
Profit for the year	-	11,814	11,814
Other comprehensive income	-	11,688	11,688
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>23,502</b>	<b>23,502</b>
Equity dividends paid	-	(5,500)	(5,500)
<b>At 31 December 2017</b>	<b>27,000</b>	<b>86,813</b>	<b>113,813</b>

# Notes to the financial statements

at 31 December 2017

## 1. Authorisation of the financial statements and the statement of compliance with FRS101

The financial statements of BAM Nuttall Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on 30 April 2018 and the balance sheet was signed on the board's behalf by S Fox CBE. BAM Nuttall Ltd is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

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 s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Royal BAM Group n.v.

The results of BAM Nuttall Limited are included in the consolidated financial statements of Royal BAM Group n.v. which are available from St James House, Knoll Road, Camberley, Surrey, GU15 3XW.

The principal accounting policies adopted by the company are set out in note 2.

### Correction of an error

During the year it was noted that a deferred tax asset of £2.75m had previously been classified on the balance sheet as at 31 December 2016 as a current asset in error. As a consequence, current assets were previously overstated and non-current assets were understated as at that date. The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	<b>As previously reported</b>	<b>Restated</b>
	<b>As at 31 December 2016</b>	<b>As at 31 December 2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fixed Assets</b>		
Deferred tax asset	-	2,750
<b>Current Assets</b>		
Deferred tax asset	2,750	-

# Notes to the financial statements

at 31 December 2017

## 2. Significant accounting policies

### 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.

On account of the Company being consolidated by Royal BAM n.v, whose financial statements are prepared in accordance with international financial reporting standards (IFRS), the Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of paragraphs 45 (b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- (b) The requirements of paragraphs 62, B64 (d), B64 (e), B64 (g), B64 (h), B64 (j) to B64 (m), B64 (n)(ii), B64 (o)(ii), B64 (p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- (c) The requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- (d) The requirements of IFRS 7 Financial Instruments: Disclosures;
- (e) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (f) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: i) paragraph 79 (a)(iv) of IAS 1; ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment; and iii) paragraph 118 (e) of IAS 38 Intangible Assets.
- (g) The requirements of paragraphs 10 (d), 10 (f), 39 (c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (h) The requirements of IAS 7 Statement of Cash Flows;
- (i) The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (j) 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 ; and
- (k) The requirements of paragraphs 134 (d) to 134 (f) and 135 (c) to 135 (e) of IAS 36 Impairment of Assets;
- (l) The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting estimates and errors.

### Judgements and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. Estimates will, by definition, seldom be identical to the actual results. Estimates and assumptions are based on historical experience and other factors, including expectations of future events that may be reasonably occur based on the current situation. Estimates are continuously evaluated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are disclosed in the notes to the financial statements.

#### a) *Project results*

If the result of the contract can be estimated reliably, revenues and costs are accounted for over the period of the contract, in proportion to the progress of the activities performed as measured by costs incurred. The activities performed are measured in accordance with the 'percentage of completion method'. If it is probable that the total project cost will exceed the total contract value, the total expected loss is recognised as an expense.

This system is based on periodic assessments by the project teams using project accounts, project files and the expertise of those involved. Estimates are an inherent part of this process and they may differ from the subsequent reality, especially for long-term (complex) projects. However, historical experience has also shown that estimates are, on the whole, sufficiently reliable.

## Notes to the financial statements

at 31 December 2017

### 2. Significant accounting policies (continued)

#### **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) Pension**

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are contained in Note 17.

### **Principal accounting policies**

#### **Intangible assets**

Non-integrated software is stated at cost less accumulated amortisation and impairment losses. Amortisation on non-integrated software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 3 years. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

#### **Investments**

Investments in subsidiaries and joint ventures 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 and joint venture to their carrying amount. If the net asset value is lower than the carrying amount, the Company assesses if the investment is impaired. If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

#### **Tangible fixed assets**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Land is not depreciated. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Plant and machinery	– over 3 to 10 years
Fixtures, fittings, tools and equipment	– over 2 to 10 years
Freehold premises	– over 25 to 50 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

#### **Research and development**

All research and development costs are charged to the income statement as incurred.



# Notes to the financial statements

at 31 December 2017

## 2. Significant accounting policies (continued)

### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

### Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

### Construction contracts

Contract balances are valued at total costs incurred, plus attributable profits, less foreseeable losses and applicable payments on account. The resultant balance in respect of each contract is either included in debtors as 'amounts recoverable on contracts' or in creditors as 'payments on account on long term contracts'. Provision is made in full for any anticipated losses on current contracts.

The Company 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.

### 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.

### Trade and other payables

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

### Pension costs

The company operates three defined contribution schemes, contributions into which are recognised in the income statement in the period in which they become payable.

The company does not have any active defined benefit pension schemes.

Regular valuations are prepared by independent, professionally qualified actuaries. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit actuarial method, which attributes entitlement to benefits to the current period (to determine current service cost). Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of benefit obligation taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

## Notes to the financial statements

at 31 December 2017

### 2. Significant accounting policies (continued)

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

The defined benefit pension asset in the balance sheet comprises the fair value of plan assets, less the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of the plan assets out of which the obligations are to be settled directly.

#### Leasing commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the lease or hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

#### Revenue recognition

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.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- total contract revenue can be measured reliably;
- it is probable that the economic benefits associated with the contract will flow to the Company;
- both the contract costs to complete and the stage of contract completion at the end of the reporting period can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

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.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Company 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.

Insurance claims can only be recognised if it is virtually certain that the amount recognised will be reimbursed.

# Notes to the financial statements

at 31 December 2017

## 2. Significant accounting policies (continued)

### Jointly controlled operations

The Company participates in construction contracts which are carried out in joint venture without the establishment of a legal entity. These arrangements are subject to joint control requiring unanimous consent for strategic, financial and operating decisions. The Company proportionately accounts for its share of the income, expenditure assets and liabilities under each relevant heading in the financial statements.

### Taxation

#### (a) Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income respectively directly in equity.

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

#### (b) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for tax on 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.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- 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 a non-discounted 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.

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.

### Foreign currency translation

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

## Notes to the financial statements

at 31 December 2017

### 3. Turnover

Turnover is attributable to one activity, civil engineering and related operations.

An analysis of turnover by geographical market is given below:

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Geographical area:		
United Kingdom	667,095	624,626
Europe	3,342	3,221
Outside Europe	7,511	9,165
	<b>677,948</b>	<b>637,012</b>

### 4. Operating profit

This is stated after charging/(crediting):

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Hire of plant and machinery	37,913	38,719
Operating lease rentals	2,581	3,085
Foreign currency exchange differences	(730)	(151)
Depreciation – owned assets (note 10)	1,921	2,371
Amortisation – non-integrated software (note 9)	423	422
Auditors' remuneration - audit of the financial statements	266	250
- other services	12	-

### 5. Directors' remuneration

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Remuneration as executives	1,127	1,298
Company contributions to defined contribution scheme	49	69
Total emoluments	<b>1,176</b>	<b>1,367</b>

In 2017 two directors received employer contributions to a defined contribution scheme. (2016 – two).

The amounts in respect of the highest paid director are as follows:

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Emoluments	<b>422</b>	<b>456</b>

## Notes to the financial statements

at 31 December 2017

### 6. Staff costs

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Wages and salaries	136,370	129,029
Social security costs	14,648	13,820
Other pension costs	10,871	10,054
	<u>161,889</u>	<u>152,903</u>

Included in other pension costs is a defined contribution cost of £10,871k (2016 - £10,054k).

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

	<b>2017</b> <b>No.</b>	<b>2016</b> <b>No.</b>
Weekly paid staff	1,103	1,068
Monthly paid staff	1,740	1,735
	<u>2,843</u>	<u>2,803</u>

### 7. Net finance income

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Interest receivable from parent undertaking	265	210
Bank interest receivable	56	259
Other finance income	208	122
Finance income pension (Note 17)	83	755
	<u>612</u>	<u>1,346</u>
Finance lease expense	<u>23</u>	<u>4</u>
	<u>23</u>	<u>4</u>
Net finance income	<u>589</u>	<u>1,350</u>

**Notes to the financial statements**  
at 31 December 2017

**8. Tax**

(a) Tax charged in the income statement

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<i>Current income tax:</i>		
UK corporation tax	1,750	1,368
Prior year adjustment	(1,855)	(1,226)
Total current income tax	<u>(105)</u>	<u>142</u>
<i>Deferred taxation:</i>		
Origination and reversal of temporary timing differences	603	1,892
Rate change	-	(53)
Prior year adjustment	471	18
Total deferred tax	<u>1,074</u>	<u>1,857</u>
<b>Tax expense in the income statement</b>	<b><u>969</u></b>	<b><u>1,999</u></b>

(b) Tax relating to items charged or credited to the other comprehensive income

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<i>Current tax:</i>		
Current tax credit on pension scheme	-	-
<i>Deferred taxation:</i>		
Actuarial gains/(losses) on defined benefit pension plans	<u>2,394</u>	<u>(4,371)</u>
<b>Tax expense/(credit) in statement of other comprehensive income</b>	<b><u>2,394</u></b>	<b><u>(4,371)</u></b>

(c) Factors affecting current tax charge

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

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Accounting profit before income tax	<u>12,783</u>	<u>14,313</u>
Tax calculated at UK standard rate of corporation tax of 19.25% (2016 – 20.00%)	2,460	2,863
Expenses not deductible for tax purposes	28	15
Depreciation in excess of capital allowances	36	37
Prior year adjustment	(1,384)	(1,208)
Rate change	(171)	292
<b>Total tax expense reported in the income statement</b>	<b><u>969</u></b>	<b><u>1,999</u></b>

# Notes to the financial statements

at 31 December 2017

## 8. Tax (continued)

### (d) Recognised tax losses

The Company has tax losses which arose in the UK of £nil (2016: £5,030k) that were available indefinitely for offset against future taxable profits.

### (e) Deferred tax

The deferred tax liability included in the balance sheet is as follows:

	<u>2017</u> <u>£000</u>	<u>2016</u> <u>£000</u>
<b>Deferred tax liability</b>		
Other temporary differences	(57)	-
Pension and post-employment benefits	(3,327)	(550)
	<u>(3,384)</u>	<u>(550)</u>
<b>Deferred tax asset</b>		
Pension and post-employment benefits	-	598
Accelerated capital allowances	1,184	1,283
Tax credit and loss carried forward	-	1,019
Other temporary differences	335	400
	<u>1,521</u>	<u>3,300</u>
<b>Disclosed on the balance sheet</b>		
Deferred tax asset	1,521	2,750
Deferred tax liability	(3,384)	-
	<u>(1,863)</u>	<u>2,750</u>

A deferred tax asset in respect of depreciation in advance of capital allowance relief and losses has been recognised in the balance sheet on the grounds that there will be suitable taxable profits within the company. Based upon all available evidence management believe this will allow for the future reversal of the underlying timing difference.

### (f) Factors that may affect future tax charges

On the 8 July 2015 the Chancellor of the Exchequer announced that the rate of Corporation Tax will reduce from 20% to 18% by 2020, with a 1% interim reduction in 2017. On the 16 March 2016 the Chancellor of the Exchequer announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%. The measurement of deferred tax assets as at December 2017 was at 17%, based on the anticipated crystallisation of the asset.

## Notes to the financial statements

at 31 December 2017

### 9. Intangible assets

	<i><b>Non-Integrated Software £000</b></i>
Cost:	
At 31 December 2016	2,190
Additions	-
At 31 December 2017	<u>2,190</u>
Amortisation:	
At 31 December 2016	1,529
Charged during the year	423
At 31 December 2017	<u>1,952</u>
Net book value:	
At 31 December 2017	<u>238</u>
At 31 December 2016	<u>661</u>

### 10. Tangible assets

	<i><b>Freehold offices £000</b></i>	<i><b>Plant and machinery £000</b></i>	<i><b>Fixtures, fittings, tools and equipment £000</b></i>	<i><b>Total £000</b></i>
Cost:				
At 31 December 2016	5,867	26,089	11,647	43,603
Additions	-	2,242	951	3,193
Disposals	-	(2,081)	(9)	(2,090)
At 31 December 2017	<u>5,867</u>	<u>26,250</u>	<u>12,589</u>	<u>44,706</u>
Depreciation:				
At 31 December 2016	2,485	23,353	10,597	36,435
Charged during the year	175	1,251	495	1,921
Disposals	-	(2,054)	-	(2,054)
At 31 December 2017	<u>2,660</u>	<u>22,550</u>	<u>11,092</u>	<u>36,302</u>
Net book value:				
At 31 December 2017	<u>3,207</u>	<u>3,700</u>	<u>1,497</u>	<u>8,404</u>
At 31 December 2016	<u>3,382</u>	<u>2,736</u>	<u>1,050</u>	<u>7,168</u>

Assets with a gross value of £2,283k (2016: £904k) and related accumulated depreciation of £282k are held under hire purchase contracts, (see Note 15).



## Notes to the financial statements

at 31 December 2017

### 11. Investments – non-current

The company's subsidiary undertakings at 31 December 2017 were:

Name of undertaking	Country of registration	Holding of ordinary shares %	Nature of business
BAM Nuttall Demolition Limited	England	100	Dormant
Allbrook Contract Hire Limited	England	100	Contract hire
Broadland Environmental Services Limited	England	90	Civil Engineering
BAM Rail M & E Limited	England	100	Specialist rail electrical contractor

The registered address for all these undertakings is St James House, Knoll Road, Camberley, Surrey, GU15 3XW.

The company's Joint Venture undertaking at 31 December 2017 was:

Name of undertaking	Country of registration	Holding of ordinary shares %	Nature of business
BAM Offshore Wind B.V.	Netherlands	50	Civil Engineering

During the year the company acquired a 50% shareholding in BAM Offshore Wind B.V. at a cost of €500.

### 12. Stocks

	2017 £000	2016 £000
Raw materials and consumables	1,832	1,176

### 13. Debtors

	2017 £000	2016 £000
Amounts recoverable on contracts	78,600	55,533
Accrued income	20,800	12,600
Trade debtors	45,755	57,369
Amounts owed by parent and fellow group undertakings	28,908	16,879
Income tax receivable	2,795	1,844
Other debtors	4,455	1,368
	181,313	145,593

Amounts owed by parent and fellow group undertakings include £17,187k on deposit with Royal BAM Group (2016 - £12,018k) which is settled on demand.

## Notes to the financial statements

at 31 December 2017

### 14. Creditors: amounts falling due within one year

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Payments on account on long term contracts	43,100	38,892
Amounts owed to subsidiary undertakings	3,053	2,632
Trade creditors	29,543	37,389
Accruals and deferred income	110,540	90,001
Other taxes and social security costs	12,953	9,095
Obligations under hire purchase contracts	456	180
Other creditors	4,824	7,089
	<b>204,468</b>	<b>185,278</b>

Amounts owed to parent and fellow group undertakings have no specific terms of settlement and are therefore considered current.

### 15. Obligations under leases and hire purchase contracts

Future minimum lease payments under hire purchase contracts are as follows:

	<b>Plant and machinery 2017 £000</b>	<b>Plant and machinery 2016 £000</b>
<i>Future minimum lease payments due:</i>		
Within one year	491	197
Within two to five years	1,572	740
Later than 5 years	114	-
	<b>2,177</b>	<b>937</b>
Less finance charges allocated to future periods	(412)	(79)
Present value of minimum lease payments	<b>1,765</b>	<b>858</b>

The present value of minimum lease payments is analysed as follows:

Within one year	456	180
Within two to five years	1,252	678
Later than 5 years	57	-
	<b>1,765</b>	<b>858</b>

The average duration of hire purchase contracts is 4.2 years (2016: 4.9 years).

The lease arrangements impose no restrictions on the Company.

## Notes to the financial statements

at 31 December 2017

### 15. Obligations under leases and hire purchase contracts (continued)

#### Operating lease agreements where the Company is lessee

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

	<i>Land and buildings 2017 £000</i>	<i>Land and buildings 2016 £000</i>	<i>Plant and machinery 2017 £000</i>	<i>Plant and machinery 2016 £000</i>
within one year	103	250	1,608	1,517
within two to five years	1,702	1,668	2,042	2,459
in over five years	-	-	-	-
	<u>1,805</u>	<u>1,918</u>	<u>3,650</u>	<u>3,976</u>

The average duration of operating lease arrangements is 2.8 years (2016: 2.8 years).

The lease arrangements impose no restrictions on the Company.

### 16. Share capital

There are no changes to share capital during the year.

	<i>Authorised 2017 &amp; 2016 £000</i>	<i>Allotted called up &amp; fully paid 2017 &amp; 2016 £000</i>
150,000 3.85% redeemable cumulative preference shares of £1 each	150	-
27,000,000 ordinary shares of £1 each	<u>27,000</u>	<u>27,000</u>
	<u>27,150</u>	<u>27,000</u>

## 17. Pensions

### (a) Staff pension scheme

The BAM Nuttall Limited contributory defined benefit pension scheme was closed to future accrual with effect from 31 October 2010, for members at this date, the link between past service to final salary remains for the calculation of benefits.

The valuation used for FRS 101 disclosures has been based on the most recent triennial actuarial valuation, 31 December 2014, and updated to take account of the requirements of FRS 101 in order to assess the liabilities of the scheme. Scheme assets are stated at their market values at the respective balance sheet dates.

	2017	2016
<u>Main assumptions:</u>		
Rate of salary increases	n/a	n/a
Rate of increase in pensions in payment (LPI)	3.20%	3.00%
Discount rate	2.60%	2.70%
Inflation assumption	2.30%	2.40%
<u>Post-retirement mortality (in years):</u>		
Current pensioners at 65 - male	23.5	23.4
Current pensioners at 65 - female	25.3	25.2
Future pensioners at 65 - male	26.4	26.2
Future pensioners at 65 - female	28.2	28.1

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	+/- 0.5%	- 9.9%/+ 11.4%
Post retirement mortality	+/- 1 year	- 3.6%/+ 3.6%

The assets and liabilities of the scheme at 31 December are:

	2017 £000	2016 £000
<i>Scheme assets at fair value</i>		
Equities	69,498	89,253
Bonds	273,290	267,787
Cash	12,667	3,649
Real Estate	13,125	7,281
Other	44,210	34,137
	<hr/>	<hr/>
Fair value of scheme assets	412,790	402,107
Present value of scheme liabilities	(396,546)	(405,624)
	<hr/>	<hr/>
<b>Defined benefit pension plan (deficit)/surplus</b>	<b>16,244</b>	<b>(3,517)</b>

## Notes to the financial statements

at 31 December 2017

### 17. Pensions (continued)

An analysis of the defined benefit cost for the year ended 31 December is as follows:

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Recognised in the Income Statement</b>		
Administration cost	531	738
Recognised in arriving at operating profit	<b>531</b>	<b>738</b>
Net interest on defined benefit asset	<b>8</b>	<b>(658)</b>
<b>Taken to the Statement of Comprehensive Income</b>		
Return on plan assets (excluding amounts included in net interest expense)	17,740	73,192
Actuarial changes arising from changes in demographic assumptions	-	(2,149)
Actuarial changes arising from changes in financial assumptions	(3,440)	(94,260)
Actuarial changes arising from experience adjustments	-	-
Recognised in the Statement of Comprehensive Income	<b>14,300</b>	<b>(23,217)</b>

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Defined benefit obligation at end of prior year</b>	<b>405,624</b>	<b>312,428</b>
Interest on benefit obligation	10,639	11,890
Benefits paid	(23,157)	(15,103)
Actuarial gains and losses	3,440	96,409
<b>Defined benefit obligation at end of year</b>	<b>396,546</b>	<b>405,624</b>

Changes in the fair value of the plan assets are analysed as follows:

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Fair value of plan assets at end of prior year</b>	<b>402,107</b>	<b>326,208</b>
Current Service Cost	(531)	(738)
Interest income in plan assets	10,632	12,548
Contributions by employer	6,000	6,000
Contributions by employee	-	-
Benefits paid	(23,157)	(15,103)
Actuarial gains and losses	17,740	73,192
<b>Fair value of plan assets at end of year</b>	<b>412,790</b>	<b>402,107</b>

## Notes to the financial statements

at 31 December 2017

### 17. Pensions (continued)

During the year the company made a special contribution totalling £6,000,000 (2016: £6,000,000). No ordinary contributions were made (2016: £nil).

	<i>Contributions in the year</i>		<i>Amounts outstanding</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Ordinary contribution	-	-	-	-
Special contribution	6.0	6.0	-	-

The company's best estimate of contributions to be paid in 2018, consisting of a special contribution, is £6,000,000.

#### (b) *Citrus scheme*

BAM Nuttall Limited has an obligation to a multi-employer defined benefit scheme, in respect of deferred members only, who were employed under local authority contracts.

The Company contributes to the scheme at various levels which are determined by independent qualified actuaries on the basis of triennial valuations using the projected unit credit funding method. The calculations have been based on preliminary results arising from the formal valuation as at 31 March 2017.

The valuation used for FRS 101 disclosures has been based on the most recent actuarial valuation and updated to take account of the requirements of FRS 101 in order to assess the liabilities of the scheme at 31 December 2017. Scheme assets are stated at their market value at respective balance sheet dates.

	<i>2017</i>	<i>2016</i>
<u>Main assumptions:</u>		
Rate of salary increases	n/a	n/a
Rate of increase in pensions in payment (LPI)	2.30%	2.40%
Discount rate	2.60%	2.70%
Inflation assumption	2.30%	2.40%
<u>Post-retirement mortality (in years):</u>		
Current pensioners at 65 - male	21.4	22.1
Future pensioners at 65 - male	24.1	24.3

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	- 0.5%	+ 8.5%
Inflation assumption	+ 0.5%	+ 7.1%
Post retirement mortality	+ 1 year	+ 4.0%

## Notes to the financial statements

at 31 December 2017

### 17. Pensions (continued)

The assets and liabilities of the scheme at 31 December are:

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<i>Scheme assets at fair value</i>		
Equities	1,216	1,192
Corporate Bonds	-	-
Liability Driven Investment Funds	3,910	5,163
Hedge Funds	-	662
Diversified Growth Funds	2,287	1,589
Multi Asset Credit Funds	4,612	4,623
Cash	1,669	10
	<u>13,694</u>	<u>13,239</u>
Fair value of scheme assets	13,694	13,239
	<u>(10,370)</u>	<u>(10,005)</u>
Present value of scheme liabilities	(10,370)	(10,005)
	<u>3,324</u>	<u>3,234</u>
Defined benefit pension plan surplus	3,324	3,234

An analysis of the defined benefit cost for the year ended 31 December is as follows:

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b><i>Recognised in the Income Statement</i></b>		
Administration cost	58	49
Recognised in arriving at operating profit	<u>58</u>	<u>49</u>
Net interest on defined benefit asset	<u>(90)</u>	<u>(97)</u>
<b><i>Taken to the Statement of comprehensive Income</i></b>		
Return on plan assets (excluding amounts included in net interest expense)	305	2,439
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	187	(2,116)
Actuarial changes arising from experience adjustments	(710)	216
Recognised in the Statement of Comprehensive Income	<u>(218)</u>	<u>539</u>

## Notes to the financial statements

at 31 December 2017

### 17. Pensions (continued)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2017 £000	2016 £000
<b>Defined benefit obligation at end of prior year</b>	<b>10,005</b>	<b>8,410</b>
Interest on benefit obligation	264	316
Administration costs	57	49
Benefits paid	(480)	(670)
Actuarial gains and losses	(187)	2,116
Experience (inflation)	710	(216)
<b>Defined benefit obligation at end of year</b>	<b>10,370</b>	<b>10,005</b>

Changes in the fair value of the plan assets are analysed as follows:

	2017 £000	2016 £000
<b>Fair value of plan assets at end of prior year</b>	<b>13,239</b>	<b>10,780</b>
Interest income in plan assets	354	413
Contributions by employer	277	277
Contributions by employee	-	-
Benefits paid	(480)	(670)
Actuarial gains and losses	305	2,439
<b>Fair value of plan assets at end of year</b>	<b>13,695</b>	<b>13,239</b>

Regular contributions made by the company during the year amounted to £nil (2016: £nil). In addition, the company made a special contribution of £277,000 (2016: £277,000).

The company expects to make contributions of £277,000 in 2018, of which £277,000 will be special contributions.

#### (c) *Contributory pension schemes*

The company has made arrangements for employees to participate in four separate defined contributory schemes, the aggregate employer contribution paid to schemes amounted to £10,871,000 (2016 - £10,054,000).

### 18. Provision for liabilities

	2017 £000
Opening balance at 1 January	2,660
Released in the year	(1,499)
<b>Closing balance at 31 December</b>	<b>1,161</b>

The provision relates to expected settlement amounts on claims against the Company. The timing of the outflows are uncertain.



## Notes to the financial statements

at 31 December 2017

### 19. Contingent liabilities

- (a) The company has contingent liabilities in respect of performance bonds and supplier guarantees given in the normal course of business.
- (b) Royal BAM Group n.v. has a revolving credit facility, to which BAM Nuttall Limited and other Group entities, is a guarantor. The revolving credit facility is €400m (2016 €400m), with a maturity date of March 2022. The utilisation of this facility as at 31 December 2017 was £nil (2016: £nil). The directors are satisfied that Royal BAM Group n.v. is currently able to fulfil all its obligations under these agreements without recourse to any of the guarantors.

The 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.

- (c) The company is party to various claims arising in the ordinary course of business. Provision has been made within the financial statements where necessary. The directors are of the view that other claims have no significant impact on the result of the group and company.
- (d) 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 material loss that has not already been provided for.
- (e) The Parent Company, along with other Group entities, is party to a guarantee in respect of any individual Company's overdraft balance within the cash pooling facility with ABNAMRO Bank n.v. At 31 December 2017 there were nil (2016: nil) overdraft balances in companies in the cash pooling facility. 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.

### 20. Parent undertakings and controlling party

The company's immediate parent undertaking is BAM Group (UK) Limited, a company incorporated in England and Wales.

The smallest and largest group of undertakings of which the company is a member and for which group financial statements are prepared is Royal BAM Group n.v., a company incorporated in The Netherlands. A copy of the group financial statements is available from the Company Secretary, BAM Group (UK) Limited, St James House, Knoll Road, Camberley, Surrey, GU15 3XW.

At the balance sheet date the ultimate parent undertaking and controlling party was Royal BAM Group n.v.