



**BAM Nuttall Limited**  
Report & Financial Statements  
31 December 2014



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Peters Village





# BAM Nuttall Limited

## Report & Financial Statements 2014

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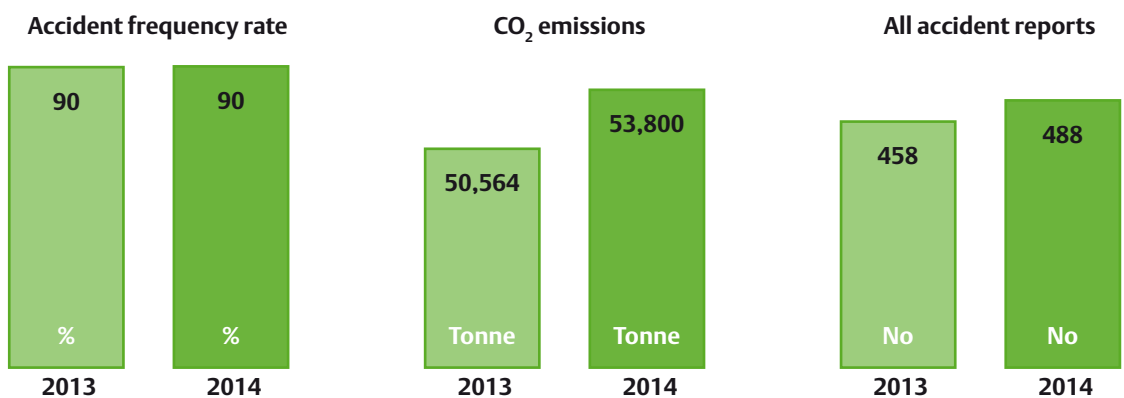
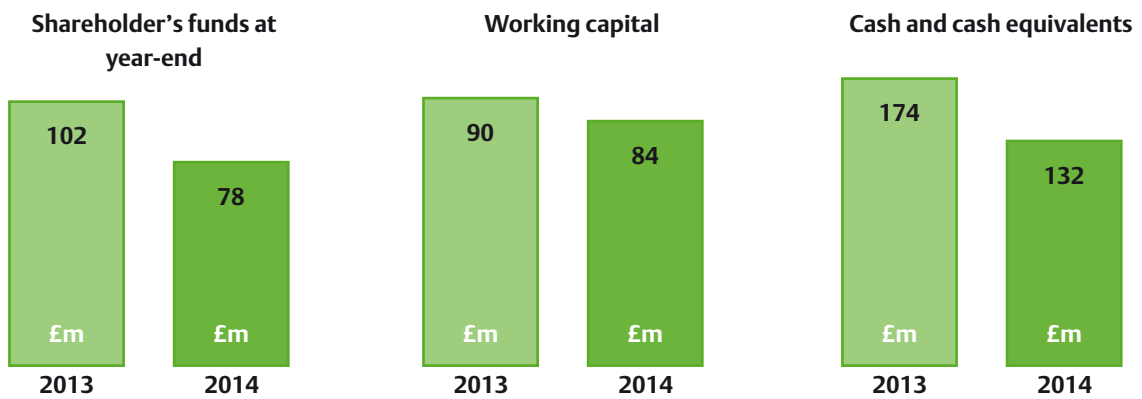
# Strategic Report

The principal activity of the Company and all its subsidiaries (the 'Group') is that of civil engineering, carried out through operating divisions, together with contracting and other related activities.

It is part of the Dutch based Koninklijke BAM Groep n.v. (Royal BAM Group), which also operates through BAM Construct UK and BAM PPP UK Limited.

## Business Review

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



# Strategic Report

(cont.)

BAM Nuttall experienced an enhanced performance with turnover for 2014 rising to £774m (2013 £756), however the company experienced a trading loss of £20m compared with a pre-tax profit of £10.7m for 2013.

Our increased scrutiny and selectivity of tendering and contract management has resulted in the strengthened performance across the business. However, this good work has been offset by one extremely challenging contract, which has resulted in a significant loss for the company. The Directors are deeply disappointed at having to report this and the project in question has obviously drawn a very significant amount of management time.

We now have this under control and during 2015 this contract will be substantially completed. Our cash position has also been affected by this project; however we maintained a liquidity position well in excess of £100m at the end of the year.

All aspects of the Royal BAM Group 'Back in Shape' programme have been supported. These align with many of the actions that we have implemented with regards to selection and control of projects, improved cash and working capital management and reduction of company tied cost. Our new seven business unit structure has simplified significantly reporting and co-ordination.

Health and safety remains a priority for the Board. Everyone affected by our activities should benefit from an incident-free environment. We are disappointed with some of the occurrences on our sites during the year and we have taken measures to tighten up our processes and procedures. These will remain under constant review.

Elsewhere we have remained busy, with revenues growing and with our order book becoming less dependent upon London and the South East. We commenced work on a new airport terminal in Tanzania with BAM International, and our Borders Rail project is progressing towards the planned September 2015 opening. We successfully handed over the Queen Elizabeth Olympic Park, our Olympics legacy project, but have maintained a presence on the site through winning a further bridge reconstruction. Our framework for the Environment Agency is delivering a steady workload. We were successful in obtaining a place on Highways England's (formerly the Highways Agency) Collaborative Delivery Framework and our rail frameworks are providing a good pipeline of work.

A good relationship has been developed with SSE through our joint venture with Siemens and we are hopeful of securing a share of the new Thames Tideway Tunnel in our BMB joint venture. Investment in infrastructure continues to have a healthy outlook with Government commitment to supporting longer term infrastructure improvements of all kinds.

Continued investment in our award winning apprentice scheme has been made and the number of categories of apprenticeship that are available has been extended. We are also a member of the Apprentice Ambassadors Network.

We signed up to the Government's Lower Cost, Lower Carbon Charter and are actively promoting solutions which support this. Our environmental performance was our best ever and demonstrates the success of the Beyond Zero ethos.

Finally I wish to extend the thanks and appreciation from the Board of Directors to all employees, suppliers and subcontractors for their hard work and commitment throughout the year.

# Strategic Report (cont.)

## Principal Risks and Uncertainties

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

The Group'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 Group's formalised control processes and business procedures, including the preparation of monthly project cost reports and a detailed quarterly review of all current projects by the Group's Board of Directors.

► Credit risk

The Group's policy is to trade only with recognised, creditworthy third parties. It is the policy of the Group 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 Group'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 Group 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**

*Chief Executive*

21 August 2015

# Directors' report

The directors present their report and group financial statements for the year ended 31 December 2014.

## **DIRECTORS OF THE COMPANY**

The directors who served during the year ended 31 December 2014 and up to the date of this report are as follows:

S C Fox

R A E James

G M Renshaw

M R Bellamy (appointed 10 August 2015)

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

## **RESULTS AND DIVIDENDS**

The results of the group are set out on page 12. The directors declared and paid a dividend per ordinary share of 11.1p amounting to £3,000,000 (2013 - £6,065,000).

## **RESEARCH AND DEVELOPMENT**

The Group is a long standing core member of CIRIA with active participation across all five advisory panels. We have provided both financial and participative input into a number of research projects over the years. We believe that a major organisation such as ours has an obligation to contribute to industry knowledge and we in turn have gained a great deal through our involvement. Current activities with CIRIA include work on sustainable procurement, lean construction and an update of the environment good practice site guide.

## **FUTURE DEVELOPMENTS**

These are set out in the Strategic Report on pages 2- 4.

## **GOING CONCERN**

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

The Group 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 Group is well placed to manage its business risks successfully.

After making enquiries, 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 annual report and accounts.

# Directors' report (cont.)

The directors present their report and group financial statements for the year ended 31 December 2014.

## **SUSTAINABILITY**

BAM Nuttall is committed to becoming a more sustainable and responsible business. Beyond Zero is the principal leadership programme and philosophy by which, we will achieve our aims. Beyond Zero thinking makes us stronger and gives us an unshakable foundation for our journey to a successful and responsible future. This is a key component of our vision for the future of the company.

### **Beyond Zero, Purpose, Vision and Values**

Work continued throughout 2014 to reinforce the BAM Nuttall purpose, vision and values under the term 'bringing engineering to life'. This work was undertaken by employees from across the business working in various roles, who met in workshops and focus groups. An essential part of this work was to find a way to link it to Beyond Zero which is now understood as the definition of our approach to the work that we do.

With its increased membership, the Company Beyond Zero Leadership Team was able to provide much better focussed support to local leadership teams throughout the company. Beyond Zero trainers have increased support to the health & safety advisors for H&S training sessions. The 'Beyond Zero in Action' workshops have been re-designed in conjunction with the BAM Nuttall Academy to include connection to the company purpose, vision and values.

### **Other areas**

The Environmental Incident Frequency Rate (E-IFR) target for 2014 was 0.10. This challenging target was successfully exceeded by achieving a year end figure of 0.045 (our best performance since records began).

Our carbon emissions are heavily influenced by the type of work we undertake. A 6% increase in 2014 is a reflection of a change in the mix of work undertaken resulting in a significant increase in gas oil consumption.

In 2014 we removed over 735,000 tonnes of waste for our customers, of which approximately 85% was diverted away from landfill.

We have published evidence of our commitment to corporate social responsibility and details of our performance in our annual Sustainability Report available via the BAM Nuttall website.

## **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.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Since the year end the revenue and cost estimates for a contract were re-assessed and the reported numbers include the re-assessment.



## Directors' report (cont.)

The directors present their report and group financial statements for the year ended 31 December 2014.

### EMPLOYEES

Effective communication with all our employees remains a key priority. A company wide roadshow, regular newsletters – electronic and paper, intranet, consultation forums and internal community groups are supplemented with the regular use of social media such as Twitter, Linked-In, Facebook and Yammer.

It is Company policy to encourage the employment, training and development of people from all sectors of the community, including disabled people and to evaluate all employees solely on the basis of merit. The Company embraces an equal opportunities approach.

The BAM Nuttall Academy offers a wide range of development programmes, many of which continue to be delivered by our internal specialists. The Academy ensures that trainers are trained, developed and supported to deliver interactive, participate and engaging training in order to provide a learning experience that enables delegates to get involved, feedback and take new knowledge or skills away with them that they can apply in their day to day role. Internal training design and delivery enables us to provide bespoke learning programmes that meet the needs of our business most cost effectively and are delivered to our Company Values and linked to our Vision.

Our Apprenticeship Programme for Civil Engineering, Quantity Surveying and Planning Apprentices, delivered in partnership with Stephenson College continues to attract and retain high quality and committed apprentices. Our HND Programme, which is also delivered in partnership with Stephenson College, continues to provide a route for our technical apprentices to develop their academic qualifications at the same time as supporting them through their first level of professional membership. The programme now offers a pathway for our Quantity Surveyors.

The Vocational training team has delivered 6,696 nationally recognised qualifications for direct employees and supply chain to date attracting government funding where appropriate. The Company has 5 of the 36 National Skills academy projects approved across the whole industry and won an award in 2014. 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. The team delivered, coordinated and recorded over 18,000 training days averaging over 6 days per person. We sit on the Board of the Construction skills certification scheme and the Management Committee of the Construction Plant competence scheme, influencing schemes which represent the 1.9 million industry card holders.

We work closely with institutions such as ICE and CInstCES who are aligned with our business. In 2014 a total of 65 staff achieved professional qualification and our first group of engineering apprentices from our embedded HND programme achieved technician membership of the ICE. Following on from this success, a similar programme for our commercial apprentices to achieve technical membership of CInstCES was introduced. Beyond this first step, our established professional development programmes continue to provide equal opportunity for both apprentices and graduates to develop throughout their careers. These include ICE work based 'further learning' where we continue to lead in the field by providing opportunity for engineering staff with HND or Bachelor's level qualifications to achieve the higher grades of professional membership without the need for additional academic study.

### Political donations

No political donations were made during the year (2013 – £nil).

## Directors' report (cont.)

The directors present their report and group financial statements for the year ended 31 December 2014.

### **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 Group'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**

*Chief Executive*

Date: 21 August 2015

# 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). 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 the Company and of the profit or loss of the Group 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

# Independent Auditors' report

to the members of  
BAM Nuttall Limited

We have audited the financial statements of BAM Nuttall Limited for the year ended 31 December 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses and the Group and Parent Company Balance Sheets, and the related notes 1 to 24. 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).

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.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss 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.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.



# Independent Auditors' report (cont.)

to the members of  
BAM Nuttall Limited (continued)

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where 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.

**David Wilson (Senior statutory auditor)**

*for and on behalf of Ernst & Young LLP, Statutory Auditor*

*London*

Date: 26 August 2015

1. The maintenance and integrity of the BAM Nuttall Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Group profit and loss account**  
for the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>TURNOVER</b>	2	774,093	756,035
<b>GROUP TURNOVER</b>		774,093	756,035
Costs and expenses	3	(799,833)	(747,443)
<b>GROUP OPERATING (LOSS)/PROFIT</b>	4	(25,740)	8,592
Profit on disposal of fixed assets		1,765	836
Interest receivable	7	383	827
Other finance income	8	3,441	428
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(20,151)	10,683
Tax credit/(charge) on (loss)/profit on ordinary activities	9	5,306	(3,048)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(14,845)	7,635
Equity minority interests		(14)	(38)
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING</b>		(14,859)	7,597
<b>RETAINED (LOSS)/PROFIT FOR THE YEAR</b>	18	(14,859)	7,597

All amounts relate to continuing operations

**Group statement of total recognised gains and losses**  
for the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
(Loss)/profit after tax		(14,859)	7,597
Actuarial (loss)/gain on defined benefit pension schemes		(7,635)	21,142
Movement on deferred taxation on defined benefit pension schemes		-	(4,915)
Current tax credit on defined benefit pension schemes		1,639	-
		<hr/>	<hr/>
Total (losses)/gains recognised since last annual report and financial statements		(20,855)	23,824
		<hr/> <hr/>	<hr/> <hr/>

**Group balance sheet**  
at 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>FIXED ASSETS</b>			
Intangible assets	11	-	253
Tangible assets	12	11,036	15,162
		<u>11,036</u>	<u>15,415</u>
<b>CURRENT ASSETS</b>			
Stocks	14	1,594	1,553
Debtors	15	179,845	261,811
Cash at bank and in hand		126,313	105,031
		<u>307,752</u>	<u>368,395</u>
<b>CREDITORS:</b> amounts falling due within one year	16	<u>(237,946)</u>	<u>(278,250)</u>
<b>NET CURRENT ASSETS</b>		<u>69,806</u>	<u>90,145</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		80,842	105,560
Pension liability	21	<u>(2,182)</u>	<u>(3,059)</u>
		78,660	102,501
<b>MINORITY INTERESTS</b>			
Equity		<u>(113)</u>	<u>(99)</u>
		<u>78,547</u>	<u>102,402</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	27,000	27,000
Profit and loss account	18	51,547	75,402
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>78,547</u>	<u>102,402</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  
Chief Executive

Date: 21 August 2015



**Company balance sheet**  
at 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>FIXED ASSETS</b>			
Tangible assets	12	10,949	14,773
Investments	13	4,128	4,128
		<u>15,077</u>	<u>18,901</u>
<b>CURRENT ASSETS</b>			
Stocks	14	1,594	1,553
Debtors	15	168,969	255,376
Cash at bank and in hand		125,780	99,615
		<u>296,343</u>	<u>356,544</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(232,364)</u>	<u>(271,628)</u>
<b>NET CURRENT ASSETS</b>		<u>63,979</u>	<u>84,916</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		79,056	103,817
Pension liability	21	(2,182)	(3,059)
		<u>76,874</u>	<u>100,758</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	27,000	27,000
Profit and loss account	18	49,874	73,758
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>76,874</u>	<u>100,758</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

Chief Executive

Date: 21 August 2015

## Notes to the financial statements at 31 December 2014

### 1. ACCOUNTING POLICIES

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention basis and in accordance with applicable accounting standards in the United Kingdom.

#### ***Basis of consolidation***

The Group financial statements consolidate the financial statements of BAM Nuttall Limited and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for BAM Nuttall Limited as permitted by section 408 of the Companies Act 2006.

#### ***Acquisition accounting***

The purchase consideration for businesses acquired is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

#### ***Goodwill***

Prior to 1 January 1999, depending on the circumstances of each acquisition, purchased and consolidation goodwill was either set off directly against reserves or was amortised through the profit and loss account over the directors' estimate of its useful life.

In accordance with FRS 10 'Goodwill and Intangible Assets', purchased goodwill arising on businesses acquired on or after 1 January 1999 is capitalised on the balance sheet and amortised through the profit and loss account over the directors' estimate of its useful life, subject to a maximum of twenty years. Impairment reviews are carried out at the end of the first full financial year following acquisition and in other periods if events or circumstances indicate that the carrying value of goodwill will not be recovered in full, and any diminution in value is charged through the profit and loss account.

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets other than assets in the course of construction 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 carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Research and development***

All research and development costs are written off as incurred.

#### ***Stocks and contract balances***

Stocks are stated at the lower of cost and net realisable value.

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.

## Notes to the financial statements at 31 December 2014

### 1. ACCOUNTING POLICIES (continued)

#### ***Pension costs***

The Group operates three defined contribution schemes, contributions into which are recognised in the profit and loss account in the period in which they become payable.

The group operates one active defined benefit pension scheme. With effect from 31 October 2010 future accrual for the principal defined benefit scheme ceased for existing members, only the link to final salary remains for calculating benefits.

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 profit or loss 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.

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

The defined benefit pension liability in the balance sheet comprises the total for each plan of 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.

#### ***Statement of cash flows***

The directors have taken advantage of the exemption in FRS 1 'Cash flow statements' (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent undertaking, Royal BAM Group n.v., publishes a consolidated cash flow statement.

#### ***Revenue Recognition***

Revenue, which is stated net of VAT, represents the sale value of work done in the year including estimates of amounts not invoiced and adjustments relating to prior years which have been agreed during the year.

Profit on construction contracts starts to be recognised once the final outcome can be assessed with reasonable certainty, full provision is made for all known or expected losses on individual contracts once such losses are foreseen.

**Notes to the financial statements**  
at 31 December 2014

**1. ACCOUNTING POLICIES (continued)**

***Taxation***

*(a) Current tax*

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

*(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.

***Foreign currency translation***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

***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.



**Notes to the financial statements**  
at 31 December 2014

## 2. TURNOVER

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

An analysis of turnover by geographical market is given below:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Geographical area:		
United Kingdom	763,943	746,271
Europe	3,514	3,764
Outside Europe	6,636	6,000
	<u>774,093</u>	<u>756,035</u>

## 3. COSTS AND EXPENSES

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Staff costs (note 6)	165,454	154,723
External charges	629,216	586,549
Depreciation – owned assets (note 12)	4,910	5,965
Amortisation of goodwill (note 11)	253	206
	<u>799,833</u>	<u>747,443</u>

## 4. OPERATING PROFIT

This is stated after charging/(crediting):	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Profit on disposal of fixed assets	(1,765)	(836)
Hire of plant and machinery	66,030	49,869
Operating lease rentals	2,738	1,434
Auditors' remuneration – audit of the financial statements*	289	251
– other services	-	-
	<u>67,272</u>	<u>49,688</u>

\* audit fees for the company amounted to £254,400 (2013 - £199,800)

**Notes to the financial statements**  
at 31 December 2014

**5. DIRECTORS' REMUNERATION**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Remuneration as executives	686	873
Group contributions to defined contribution scheme	31	38
Total emoluments	<u>717</u>	<u>911</u>

In 2014 one director received employer contributions to a defined contribution scheme. (2013 – two).

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Emoluments	<u>287</u>	<u>320</u>

**6. STAFF COSTS**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	140,501	131,674
Social security costs	15,211	14,227
Other pension costs	9,742	8,822
	<u>165,454</u>	<u>154,723</u>

Included in other pension costs is a defined contribution cost of £9,742,000 (2013 - £8,822,000)

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

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Weekly paid staff	1,264	1,251
Monthly paid staff	1,858	1,809
	<u>3,122</u>	<u>3,060</u>

**Notes to the financial statements**  
at 31 December 2014

**7. INTEREST RECEIVABLE**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from parent undertaking	383	761
Bank interest receivable	-	66
	<u>383</u>	<u>827</u>

**8. OTHER FINANCE (CHARGES) / INCOME**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets (note 21)	17,248	13,547
Interest on pension scheme liabilities (note 21)	(13,807)	(13,119)
	<u>3,441</u>	<u>428</u>

**9. TAX**

**(a) Tax (credit)/charge on loss/(profit) on ordinary activities**

The tax (credit)/charge is made up as follows:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
UK corporation tax	(4,734)	123
Prior year adjustment	(1,254)	192
Total current tax (note 9 (c))	<u>(5,988)</u>	<u>315</u>
<b>Deferred taxation:</b>		
Current year	690	3,103
Prior year adjustment	(8)	(370)
Tax (credit)/charge on loss/(profit) on ordinary activities	<u>(5,306)</u>	<u>3,048</u>

**(b) Tax included in group statement of total recognised gains and losses**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
Current tax credit on pension scheme	1,639	-
<b>Deferred taxation:</b>		
Actuarial gain/(loss) on pension scheme	-	4,915
Total tax credit/(charge)	<u>1,639</u>	<u>4,915</u>

## Notes to the financial statements

at 31 December 2014

### 9. TAX (continued)

#### (c) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2013 – higher than) the rate of corporation tax in the UK of 21.49% (2013 – 23.25%). The differences are reconciled below:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
(Loss)/profit on ordinary activities before tax	(20,151)	10,683
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK of 21.49% (2013 – 23.25%)	(4,330)	2,484
Expenses not deductible for tax purposes	48	272
Depreciation in excess of capital allowances	207	392
Prior year adjustment	(1,254)	192
Short-term timing differences		
Pension cost relief in excess of pension cost charge	(432)	(396)
	(227)	(2,629)
Current tax (credit)/charge for year (note 9(a))	(5,988)	315

#### (d) Deferred tax

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Short-term timing differences on accruals and provisions'	549	949
Decelerated capital allowances	1,369	1,174
Rollover relief	-	257
Included in debtors (note 15)	1,918	2,380
Included in creditors (note 16)	-	-
Included in pension liability (note 21)	545	765
	2,463	3,145
At 1 January 2014		3,145
Charge to group profit and loss account – note 9 (a)		(682)
At 31 December 2014		2,463

The directors have a reasonable expectation that the company will return to a profitable position in the next accounting period.

**Notes to the financial statements**  
at 31 December 2014

**9. TAX (continued)**

**(e) Factors that may affect future tax charges**

On the 2 July 2013 changes announced by Chancellor of the Exchequer in the March 2013 Budget were enacted. As a consequence the main rate of Corporation Tax fell by 2% to 21% from 1 April 2014 and will fall by a further 1% to 20% from 1 April 2015. The rate of 20% has been applied in the measurement of the Group's deferred tax assets and liabilities as at 31 December 2014.

**10. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The loss dealt with in the financial statements of the parent company was £14,888,000.  
(2013 – profit of £7,448,000).

**11. INTANGIBLE FIXED ASSETS**

<b>Cost:</b>	<b>Goodwill</b> <b>£000</b>
At 31 December 2013 and 31 December 2014	2,903
Amortisation:	
At 31 December 2013	2,650
Provided during the year	253
At 31 December 2014	2,903
Net book value:	
At 31 December 2014	-
At 31 December 2013	253
Goodwill related to the acquisition of BAM Rail M&E Ltd.	

**Notes to the financial statements**  
at 31 December 2014

**12. TANGIBLE FIXED ASSETS**

<i>Group</i>	<i>Freehold offices</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings, tools and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 31 December 2013	6,501	32,428	14,585	53,514
Additions	-	1,645	1,084	2,729
Disposals	(630)	(5,222)	(1,603)	(7,455)
At 31 December 2014	5,871	28,851	14,066	48,788
Depreciation:				
At 31 December 2013	2,065	25,986	10,301	38,352
Provided during the year	187	2,535	2,188	4,910
Disposals	(112)	(3,959)	(1,439)	(5,510)
At 31 December 2014	2,140	24,562	11,050	37,752
Net book value:				
At 31 December 2014	3,731	4,289	3,016	11,036
At 31 December 2013	4,436	6,442	4,284	15,162

**Notes to the financial statements**  
at 31 December 2014

**12. TANGIBLE FIXED ASSETS (continued)**

<i>Company</i>	<i>Freehold offices</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings, tools and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 31 December 2013	6,497	32,135	12,341	50,973
Additions	-	1,645	1,084	2,729
Disposals	(630)	(5,222)	(26)	(5,878)
At 31 December 2014	5,867	28,558	13,399	47,824
Depreciation:				
At 31 December 2013	2,060	25,747	8,393	36,200
Provided during the year	187	2,535	2,050	4,772
Disposals	(112)	(3,959)	(26)	(4,097)
At 31 December 2014	2,135	24,323	10,417	36,875
Net book value:				
At 31 December 2014	3,732	4,235	2,982	10,949
At 31 December 2013	4,437	6,388	3,948	14,773

**13. INVESTMENTS**

<i>Company</i>	<i>£000</i>
Shares in subsidiary undertakings at cost:	
At 31 December 2013	4,128
Capital repayment	-
At 31 December 2014	4,128

The company's subsidiary undertakings at 31 December 2014 are:

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

**Notes to the financial statements**  
at 31 December 2014

**14. STOCKS**

	<i>2014</i>	<i>Group</i> <i>2013</i>	<i>2014</i>	<i>Company</i> <i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	1,594	1,553	1,594	1,553

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**15. DEBTORS**

	<i>2014</i>	<i>Group</i> <i>2013</i>	<i>2014</i>	<i>Company</i> <i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts recoverable on contracts	78,063	92,366	78,063	92,207
Trade debtors	82,860	90,907	71,750	79,895
Amounts owed by subsidiary undertakings	-	-	-	6,169
Amounts owed by parent and fellow group undertakings	6,275	72,682	6,374	70,831
Corporation Tax	8,480	1,166	8,615	1,559
Other debtors	2,249	2,310	2,249	2,295
Deferred tax (note 9 (d))	1,918	2,380	1,918	2,420
	<u>179,845</u>	<u>261,811</u>	<u>168,969</u>	<u>255,376</u>

Amounts owed by parent and fellow group undertakings include £3,662,000 on deposit with Royal BAM Group (2013 - £69,644,000) which is payable on demand. Trade debtors for the Group include an amount of £9,371,000 which is due after more than one year (2013 - £9,411,000).



**Notes to the financial statements**  
at 31 December 2014

**16. CREDITORS: amounts falling due within one year**

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Payments on account on long term contracts	64,087	91,155	58,456	88,611
Amounts owed to subsidiary undertakings	-	-	1,544	-
Amounts owed to parent and fellow group undertakings	1,705	1,211	-	-
Trade creditors	10,720	27,062	10,720	27,061
Accruals and deferred income	122,639	122,404	123,567	120,225
Corporation tax	-	-	-	-
Other taxes and social security costs	25,708	21,711	25,345	21,317
Other creditors	13,087	14,707	12,732	14,414
	<u>237,946</u>	<u>278,250</u>	<u>232,364</u>	<u>271,628</u>

There are no creditors falling due after more than one year. Amounts owed to parent and fellow group undertakings have no specific terms of settlement and are therefore considered current.

**Notes to the financial statements**  
at 31 December 2014

**17. SHARE CAPITAL**

There are no changes to share capital during the year.

	<i>Authorised 2014 &amp; 2013 £000</i>	<i>Allotted called up &amp; fully paid 2014 &amp; 2013 £000</i>
150,000 3.85% redeemable cumulative preference shares of £1 each	150	-
27,000,000 ordinary shares of £1 each	27,000	27,000
	<u>27,150</u>	<u>27,000</u>

**Notes to the financial statements**  
at 31 December 2014

**18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

<i>Group</i>	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2013	27,000	57,643	84,643
Dividend payment	-	(6,065)	(6,065)
Profit for the year	-	7,597	7,597
Actuarial gain on pension scheme	-	16,227	16,227
	<hr/>	<hr/>	<hr/>
At 31 December 2013	27,000	75,402	102,402
Dividend Payment	-	(3,000)	(3,000)
Profit for the year	-	(14,859)	(14,859)
Actuarial loss on pension scheme	-	(5,996)	(5,996)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	27,000	51,547	78,547
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
 <i>Company</i>			
	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2013	27,000	52,783	79,783
Dividend payment	-	(2,700)	(2,700)
Profit for the year	-	7,448	7,448
Actuarial gain on pension scheme	-	16,227	16,227
	<hr/>	<hr/>	<hr/>
At 31 December 2013	27,000	73,758	100,758
Dividend payment	-	(3,000)	(3,000)
Profit for the year	-	(14,888)	(14,888)
Actuarial loss on pension scheme	-	(5,996)	(5,996)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	27,000	49,874	76,874
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements**  
at 31 December 2014

**19. CAPITAL COMMITMENTS**

	<b>2014</b>	<b>Group</b>	<b>2014</b>	<b>Company</b>
	<b>£000</b>	<b>2013</b>	<b>£000</b>	<b>2013</b>
		<b>£000</b>		<b>£000</b>
Contracted but not provided for	-	707	-	707
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**20. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS**

At 31 December 2014, the group and company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and</b>	<b>Land and</b>	<b>Plant and</b>	<b>Plant and</b>
	<b>buildings</b>	<b>buildings</b>	<b>machinery</b>	<b>machinery</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operating leases which expire:				
within one year	152	159	120	138
within two to five years	674	495	2,827	1,233
in over five years	29	100	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Notes to the financial statements**  
at 31 December 2014

## 21. 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 17 disclosures has been based on the most recent triennial actuarial valuation, 31 December 2011, and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme. Scheme assets are stated at their market values at the respective balance sheet dates.

	2014	2013	2012
Main assumptions:			
Rate of salary increases	3.35%	3.35%	3.13%
Rate of increase in pensions in payment (LPI)	3.10%	3.30%	2.85%
Rate of increase in pensions in payment (fixed)	5.00%	5.00%	5.00%
Discount rate	4.60%	4.60%	4.30%
Inflation assumption	3.20%	3.45%	2.90%

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

	<i>Long-term rate of return expected</i> %	2014  <i>Value</i> £000	<i>Long-term rate of return expected</i> %	2013  <i>Value</i> £000	<i>Long-term rate of return expected</i> %	2012  <i>Value</i> £000
Equities	6.40%	133,355	7.50%	147,677	6.50%	144,688
Bonds	3.70%	199,720	4.20%	143,423	3.25%	116,589
Cash	0.50%	852	0.50%	655	0.25%	605
Total market value of assets		333,927		291,755		261,882
Present value of scheme liabilities		(336,654)		(297,121)		(299,635)
Pension liability before deferred tax		(2,727)		(5,366)		(37,753)
Related deferred tax asset		545		1,073		8,683
Net pension liability		(2,182)		(4,293)		(29,070)

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio for each scheme separately.

**Notes to the financial statements**  
at 31 December 2014

**21. PENSIONS (continued)**

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Current service cost	(857)	-
Total operating charge	(857)	-
Expected return on pension scheme assets	16,738	13,019
Interest on pension scheme liabilities	(13,426)	(12,743)
Total other finance income/(costs)	3,312	276
Actual return less expected return on pension scheme assets	30,778	12,446
Experience loss arising on scheme liabilities	-	-
(Loss)/gain arising from changes in assumptions underlying the present value of scheme liabilities	(36,594)	8,665
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(5,816)	21,111

Analysis of movements in the deficit during the year:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
At 1 January	(4,293)	(29,070)
Total operating costs	(857)	-
Total other finance income/(costs)	3,312	276
Actuarial gain/(loss)	(5,816)	21,111
Movement in related deferred tax asset	(528)	(7,610)
Contributions	6,000	11,000
At 31 December	(2,182)	(4,293)

The history of gains and losses are as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Fair value of the plan assets	333.9	291.8	261.9	239.4	231.9
Present value of the benefit obligation	(336.7)	(297.1)	(299.6)	(279.9)	(240.0)
Gross deficit	(2.8)	(5.3)	(37.7)	(40.5)	(8.1)
Experience adjustments (loss) / gain on plan assets	30.7	12.4	7.7	(10.4)	10.7
Experience adjustments gain/(loss) on benefit obligations	-	8.7	(14.8)	(33.8)	5.7

**Notes to the financial statements**  
at 31 December 2014

**21. PENSIONS (continued)**

During the year the company made a special contribution totalling £6,000,000 (2013: £11,000,000). No ordinary contributions were made (2013: £nil).

	<i>Contributions in the year</i>		<i>Amounts outstanding</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Ordinary contribution	-	-	-	-
Special contribution	6.0	11.0	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>

The company's best estimate of contributions to be paid in 2015, consisting of a special contribution, is £11,000,000.

**(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 the latest formal valuation as at 31 March 2012.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2014. Scheme assets are stated at their market value at respective balance sheet dates.

<i>Main assumptions</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Rate of salary increases	n/a	n/a	2.20%
Rate of increase in pensions in payment	2.05%	2.45%	2.20%
Discount rate	3.70%	4.60%	4.30%
Inflation assumption	2.05%	2.45%	2.20%

## Notes to the financial statements

### at 31 December 2014

## 21. PENSIONS (continued)

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

	<i>Long-term rate of return expected</i> %	<b>2014</b>  <i>Value</i> <i>£000</i>	<i>Long-term rate of return expected</i> %	<b>2013</b>  <i>Value</i> <i>£000</i>	<i>Long-term rate of return expected</i> %	<b>2012</b>  <i>Value</i> <i>£000</i>
Equities	6.40%	4,364	7.50%	4,006	6.50%	7,348
Corporate Bonds	3.70%	5,237	4.60%	1,202	4.30%	2,519
Government Bonds	2.40%	1,309	3.50%	4,808	2.50%	630
Property	-	-	-	-	-	-
Cash	-	-	-	-	-	-
		<hr/>		<hr/>		<hr/>
Total market value of Assets		10,910		10,016		10,497
Present value of scheme Liabilities		(8,607)		(8,474)		(9,293)
		<hr/>		<hr/>		<hr/>
Pension asset/(liability) before deferred tax		2,303		1,542		1,204
Irrecoverable Surplus		(2,303)		-		-
Related deferred tax (liability) / asset		-		(308)		(277)
		<hr/>		<hr/>		<hr/>
Net pension asset / (liability)		-		1,234		927
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio for each scheme separately.



**Notes to the financial statements**  
at 31 December 2014

**21. PENSIONS (continued)**

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Current service cost	-	-
Total operating charge	-	-
Expected return on pension scheme assets	510	528
Restriction to return on assets	(129)	(153)
Interest on pension scheme liabilities	(381)	(376)
Total other finance (costs)/income	-	(1)
Actual return less expected return on pension scheme assets	638	(38)
Experience (loss) / gain arising on scheme liabilities	(154)	69
Gain arising from changes in assumptions underlying the present value of scheme liabilities	(2,303)	-
Actuarial (loss) / gain recognised in the statement of total recognised gains and losses	(1,819)	31

Analysis of movements in the surplus during the year:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
At 1 January	1,234	927
Total operating costs	-	-
Actuarial (loss) / gain	(1,819)	31
Total other finance (costs)/income	-	(1)
Movement in related deferred tax liability	308	(31)
Contributions	277	308
At 31 December	-	1,234

The history of gains and losses are as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Fair value of the plan assets	10.9	10.0	10.5	10.0	9.5
Present value of defined benefit obligation	(8.6)	(8.5)	(9.3)	(8.8)	(8.9)
Irrecoverable Surplus	(2.3)	-	-	-	-
Gross surplus / (deficit)	-	1.5	1.2	1.2	0.6
Experience adjustments (loss) / gain on plan assets	0.6	0.0	0.2	(0.5)	0.7
Experience adjustments gain/(loss) on benefit obligations	(0.1)	0.1	(0.5)	0.5	-

## Notes to the financial statements

### at 31 December 2014

#### 21. PENSIONS (continued)

Regular contributions made by the company during the year amounted to £nil (2013: £nil). In addition, the company made a special contribution of £277,000 (2013: £308,000).

The company expects to make contributions of £277,000 in 2015, of which £277,000 will be special contributions.

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

The group has made arrangements for employees to participate in four separate defined contributory schemes, the aggregate employer contribution paid to schemes amounted to £9,742,000 (2013 £8,822,000).

#### 22. CONTINGENT LIABILITIES

(a) The group has contingent liabilities in respect of performance bonds and supplier guarantees given in the normal course of business.

(b) The company, along with other group companies, has provided a guarantee against a €125 million (2013: €125 million) subordinated term loan and a guarantee against a €500 million (2013: €500 million) committed credit facility to its ultimate parent undertaking, Royal BAM Group n.v. The amount of the subordinated term loan outstanding at the year end was €125 million (2013: €125 million); the amount drawn under the committed credit facility at the year end was €nil million (2013: €40 million).

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 group 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 company along with other UK subsidiary companies of BAM Group n.v., is party to a guarantee in respect of any individual company balance within the cash pooling facility provided by National Westminster Bank plc. At 31 December 2014, none of the companies in the pooling facility had an overdraft (2013 - £67.7m). The net overdraft position in the cash pooling facility at 31 December 2014 was £nil (2013 - £nil). This guarantee is not expected to give rise to any loss.

#### 23. RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to disclose details of transactions between wholly owned undertakings of the Royal BAM Group n.v. which prepares fully consolidated financial statements.

#### 24. PARENT UNDERTAKINGS AND CONTROLLING PARTY

The company's immediate parent undertaking is BAM Group (UK) Limited, a company incorporated in England and Wales. This is the smallest group of undertakings of which the company is a member. Group financial statements are not prepared.

The 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.

Borders Railway Project



RNLI St Davids





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BAM Nuttall Limited is an operating company of the  
European construction group Royal BAM