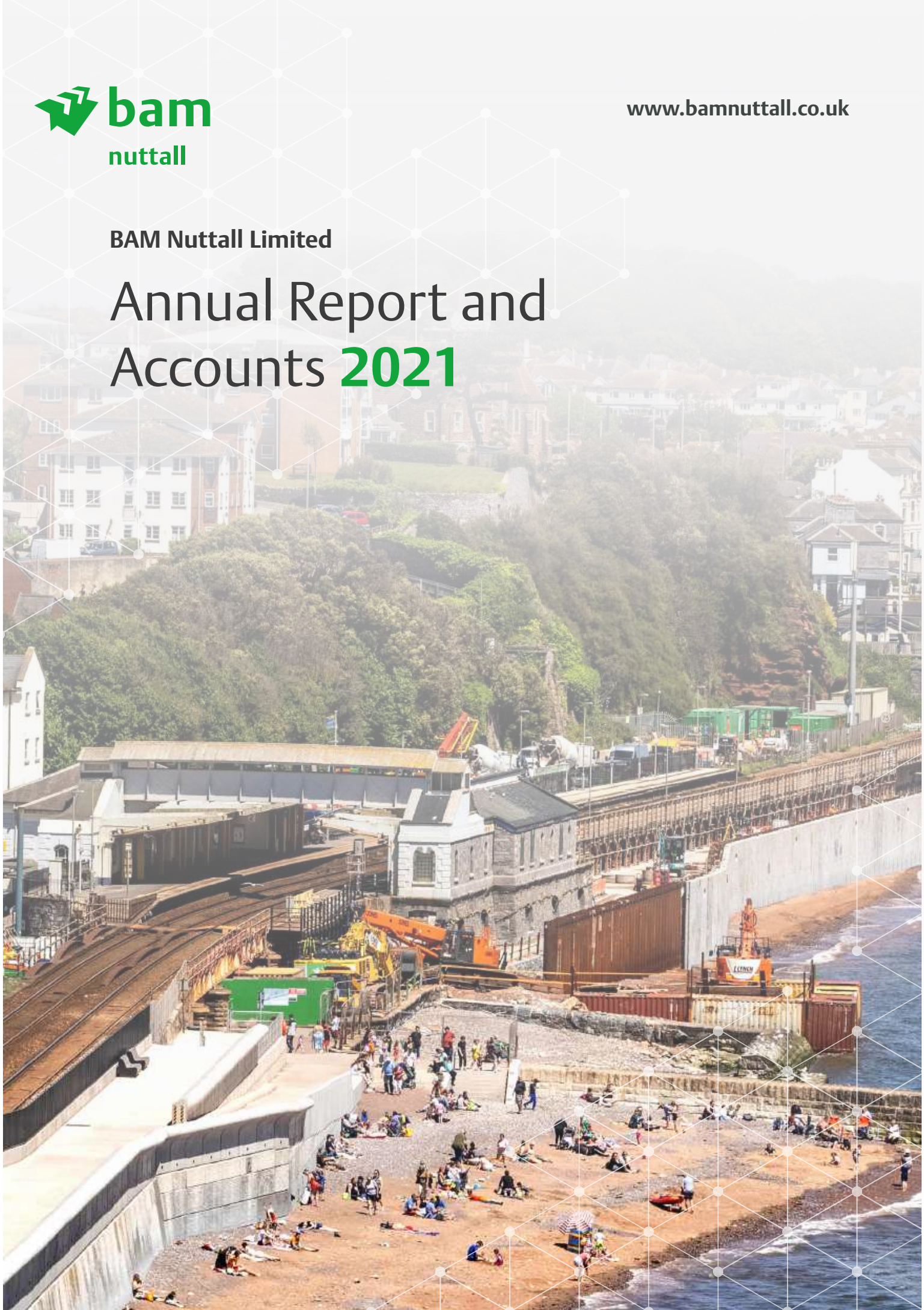




[www.bamnuttall.co.uk](http://www.bamnuttall.co.uk)

BAM Nuttall Limited

# Annual Report and Accounts **2021**



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# We are BAM Nuttall

BAM Nuttall Limited is a leading civil engineering business, delivering design and construction services, creating sustainable environments that enhance people’s lives.

We are committed to achieving net zero carbon operations by 2030.

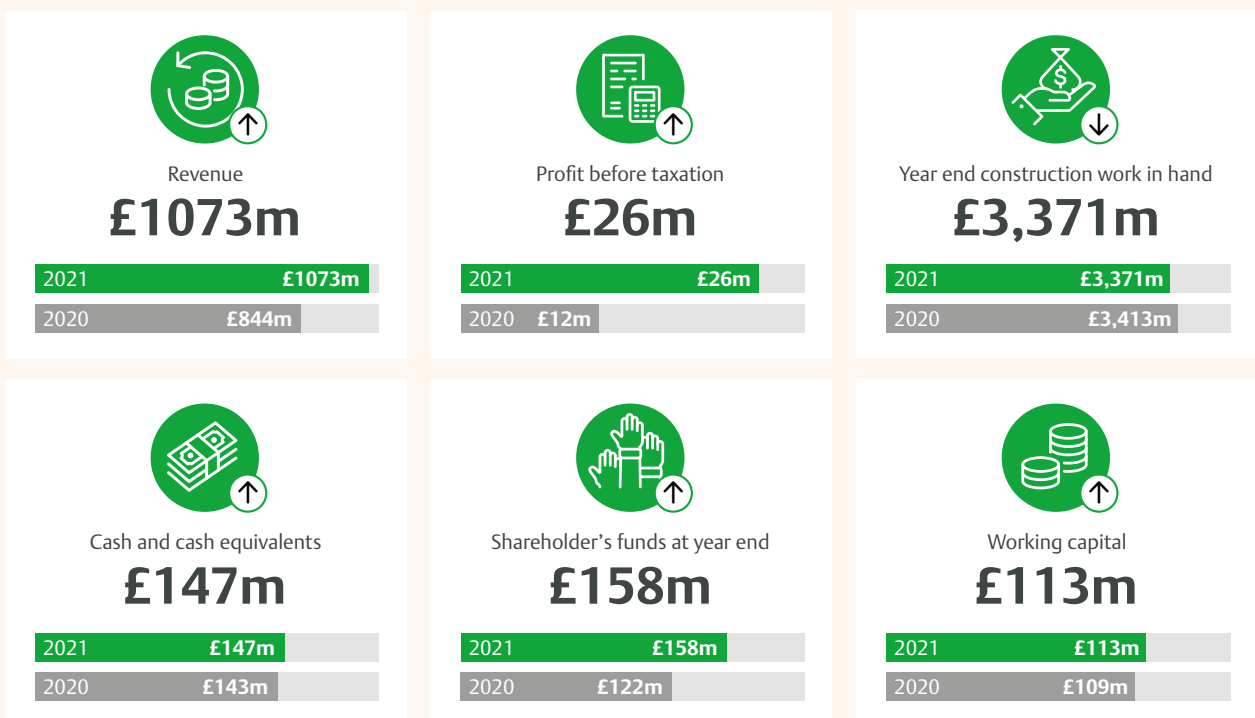
From offices and project sites across England, Scotland and Wales, our teams collaborate with public and private sector clients to create sustainable solutions for delivering or maintaining infrastructure, leaving long-lasting social value in the communities where we live and work.

Our project teams exploit their leadership and technical skills and gain experience using the latest digital technologies to execute work in a lean, green and more efficient way. Working in collaboration with expert partners and a highly valued supply chain of specialist subcontractors, consistent ways of working and modern construction methods are adopted, achieving improved performance.

We constantly strive to attract and develop a wider diversity of people, who can accelerate our collective response to industry and global challenges - whether improving colleagues’ safety and wellbeing or eliminating carbon across project lifecycles.

**Our goal is to be a high-performing, collaborative design and construction partner for our infrastructure clients and supply chain, forging strong, strategic alliances that create sustainable value.**

## This year's review



## Executive Director's foreword



BAM Nuttall's collaborative culture and strong industry relationships have helped increased resilience throughout 2021, so our business delivered its operations safely, profitably, sustainably and predictably, despite the ongoing COVID-19 pandemic.

BAM Nuttall achieved many positive changes despite challenges faced by individuals and our industry, including restrictions imposed by the COVID-19 pandemic; demand for materials out-stripping supply and inflating prices; introducing new procedures for Brexit changes, and the global issue of managing cyber-security.

We are proud of the progress made to support our teams and people by embedding our flexible working policy, encouraging employees, and colleagues working for clients and supply chain partners to participate in our wellbeing programme of activities and supporting initiatives.

We're optimising synergies between the Royal BAM Group's operating companies to de-risk the wider business. Our number of employees grew by over 280 in 2021 (we anticipate recruiting a further 200 in 2022), our teams have been actively engaged in exploiting digital construction and we have been setting out our continued journey to meet net zero carbon targets by 2030.

We also had a positive year financially: we have exceeded our 2021 revenue forecasts to £1,073m (2020: £844m) and profit before tax improved to £26.2m (2020: £11.6m), resulting in a margin of 2.4% (2020: 1.4%). We have continued our success for winning future work, closing the year with a £3.4bn order book. We have continued a prudent growth strategy by securing sustainable revenue through selective tendering with our strategic clients.

We thank all our employees for their outstanding commitment and contribution throughout 2021, which has achieved this positive performance. This year, we have continued to demonstrate our ability to promptly adapt to change so that we can continue to deliver projects for our clients, our people and the wider community safely, sustainably, healthily and inclusively.

### **Ian Parish**

Executive Director, BAM Nuttall  
30 June 2022

# Strategic report





## Organisational overview

BAM Nuttall (the Company) is a wholly owned subsidiary of Royal BAM Group nv. Our purpose is to create sustainable environments that enhance people’s lives. We design, construct and maintain civil engineering infrastructure across sectors, through three delivery centres – Transport, Major Projects and Regions.

Our delivery centres have their own Preconstruction and Delivery Services, with Finance, Information Technology and Human Resources providing support. A Business Excellence team supports the three delivery centres, supporting knowledge sharing and using strategic drivers including digital construction, innovation and sustainability.

2021 continued to see greater collaboration of all support services across the UK companies and more widely across Royal BAM Group leveraging knowledge sharing and improving efficiency. We will build on this further in 2022.

Aligning with Royal BAM Group’s four values (below) employees use the guidance in our Code of Conduct to bring these to life through our daily interactions with others and through our strategic decision-making:

-  Predictable Performance
-  Proactive Ownership
-  Open Collaboration
-  Scalable Learning



## Value creation

BAM Nuttall creates value for employees, clients, stakeholders and for wider society by delivering infrastructure for transport, including roads, railways, airports, utilities, tunnelling, marine and flood defences.

BAM Nuttall also creates added value by operating ethically and sustainably. We provide employment, apprenticeship and training opportunities for people, and supporting the businesses, communities and charities local to our operations.

A key feature of our sustainability strategy is to achieve net positive carbon and to enhance people’s lives by creating a positive impact in the communities where we work.

## Business performance

Our Company continued to perform well in 2021, even with the unprecedented impact of the COVID-19 pandemic. The Company achieved a turnover and profit before tax in excess of 2020, with our profit percentage significantly higher than 2019, prior to the pandemic. We generated a profit before tax of £26.2m (2020: £11.6m) on a turnover of £1,073m (2020: £844m) producing a net margin of 2.4% (2020: 1.4%). Our order book at year-end was £3.4bn. Our outlook remains optimistic but cautious.

This predictable performance resulted from a solid foundation of strong collaboration, across our teams, clients and our industry stakeholders, creating strength and resilience in a globally turbulent year. Thanks to the quality and commitment of our people, partners, and clients, and their ongoing support and encouragement, we continued to see shining examples of excellence in the delivery of our work and secured sustainable work for the future.

Strategic partnerships across industry, including Construction Leadership Council, provided clear and consistent guidance, and strong, visible leadership. Our teams responded to new ways of working with tremendous flexibility and creativity, sharing practical advice and innovative adaptations for how to carry out tasks, while continuing to improve safety and productivity.

The use of digital construction tools and models allowed teams to increase remote working, reschedule and plan work fast, while complying with local and national restrictions. Our digital business platforms supported the fast distribution of news, while managers, supervisors, HR business partners and our people networks, provided emotional support and reassurance.

# Strategic report

## Principal risks and uncertainties

The Company regularly reviews the principal risks and uncertainties within the business both on a national level and a sector level. The principal risks are associated with finance and legislation. When we identify a risk we implement controls and mitigation strategies to reduce the overall impact on the business. The current principal risks and uncertainties are identified below along with controls and mitigation strategies.

### COVID-19

The COVID-19 pandemic had a fundamental impact on the UK economy and our industry, having introduced an increased risk to all areas of the Company throughout 2020.

However, the Directors monitored the situation closely throughout 2020 and having introduced increased operational reporting and review across all sites ensured high visibility of the potential impact on productivity and delivery to our stakeholders of COVID-19. The Directors ensured that the Company complied with all Government guidelines in order to operate in a safe manner on all sites. The Directors also focused on cash management and collaboration with suppliers, customers and all our stakeholders to achieve as much efficiency as possible. The benefits of this compliance and focus have been realised in 2021.

We responded to the challenges created by COVID-19 by enhancing our collaborative relationships with our stakeholders and maximising the adoption and use of digital technology to mitigate the impact on delivery and financial performance. Although the risk of COVID-19 diminished through 2021 as the Government's vaccination programme and 'Four Steps' were implemented, BAM Nuttall continued to monitor the impact of COVID-19 very closely to make sure that our people and supply chain worked in a safe environment. We consider that the use of the government support to manage the cost base was realised in an efficient manner.

### UK economy risk – Brexit impacts and uncertainty internationally

The impact of the UK's departure from the EU on 31 December 2020 has been monitored closely with a specific focus on the freedom of movement for business travel, the availability of a skilled workforce, changes to the importation of construction materials and the use of EU suppliers following the introduction of new rules from 1 January 2021. There are further changes to these aspects of Brexit in January and July 2022 which have been briefed to the wider business.

It is acknowledged that the government's clear working majority will provide much greater certainty and allow actions to be implemented by the government. This in turn allows us to plan and respond to the market in a more structured manner and reduces the uncertainty for our business.

### Emerging health and safety environmental risks

The Company recognises the importance to its employees and society as a whole that the workplace is a healthy place to work, it is safe and that the tasks undertaken do not compromise the environment. Our rigorous minimum standards are measured relative to emerging legislation, supported by continuous improvement and employees' feedback to ensure these risks are managed effectively.

### Skills risk

Notwithstanding the impact of Brexit, there remains the need to train and maintain a skilled workforce. With a retiring workforce and technology creating new opportunities, engineering is suffering from severe skills shortages, and new talent is needed urgently.

More diversity is needed to boost creativity and innovation, fill the skills gap and lift productivity.

The Company makes a significant investment in skills and training and supports the CITB and the Apprenticeship Levy. We will continue to lobby for further support and improvement to the systems that support them.

# Strategic report

## Credit risk

The Company's policy is to trade only with recognised, creditworthy 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 on-going basis, both at operating and corporate level, with the objective of minimising the Company's exposure to bad debts.

COVID-19 has not had any material adverse impact on the credit risk of the Company.

## 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 two-year forward plan in the annual Operating Plan. See also the Going Concern section of the Directors' Report.

## Price risk

This risk relates to our ability to properly evaluate the cost of projects at bid stage, the control and recording of these costs during the delivery stage 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 preparation of monthly project cost reports and a detailed quarterly review of projects by the Board.

## Legislative risk

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

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

but the Directors will continue to monitor the post-BREXIT legislation like the Environment Act 2021, the government's pending Procurement Bill and the planned active and passive divergence from EU law over the longer term; especially digital data and GDPR.

## Future strategy – Building a sustainable tomorrow 2021-23

Royal BAM Group has been engaged in its new three-year strategy since February 2021: 'Building a sustainable tomorrow'. Over the period 2021 to 2023 the strategy will deliver increased profitability and continued de-risking by focusing on markets and projects where it has proven competitive strengths and creating a platform for future growth. BAM Nuttall, as a cornerstone of Royal BAM Group, is now part of the UK and Ireland Division playing a significant part in this strategy.

The order book remains strong, and we will be applying a conservative approach to 2022 and beyond monitoring the changing UK political landscape resulting from the UK's exit from the EU and the post-pandemic recovery investment by the government. The directors have put various measures in place to deal with scenarios that may arise.

We're adopting new and flexible ways of working, to create a safer, healthier, more diverse and engaging organisation. Delivery of growth and improved business performance is dependent on BAM Nuttall being at the forefront of digital construction and data management techniques. These platforms and tools have unlocked new opportunities for our people, whether working on sites, at home or in offices, to continue connecting and collaborating.

As part of the strategy, all operating companies are supporting and participating in the alignment of Royal BAM Group policies, processes and procedures for core functions including Information Security, Human Resources, Finance and Procurement. This alignment will support individuals, teams and operating companies to leverage their combined capabilities and improve productivity and performance.

# Strategic report

## Client focus first

Our clients have an ever-increasing list of outcomes to deliver against that go well beyond the construction of new assets. Carbon reduction, the race to net zero, as well as biodiversity net gain, are uppermost in their minds. They are increasingly eager to deliver ongoing improvements for their customers and to leave a lasting legacy for the communities they work in and the businesses they serve. Our clients' needs are complex and the earlier we can engage to support them, the better chance we have to deliver locally focused, progressive, forward thinking and sustainable solutions.

Through 2021 we continued to embed our client-focused approach, investing in our team of Client Account Directors to better understand our clients' needs and get a clearer insight into the wider challenges they face. Increasingly, this early engagement provides the opportunity to develop and deliver bespoke solutions that meet clear outcome objectives and introduce innovative ideas, whilst incorporating the best of BAM Nuttall to achieve this.

Putting our clients first is fundamental at BAM Nuttall and is demonstrated in the values and behaviours across our teams. It also reflects the wider changes across our industry reinforced with the introduction of Project 13 and, more recently, the Construction Playbook.

Increasingly, our portfolio is dominated by procurement models that put collaboration and outcome focus at their core. Together with our clients, we are delivering safer, more predictable and sustainable projects, propelling our industry into a new and exciting chapter.

## Corporate responsibility – ethics and standards

The Board recognises that the ability of the Company to generate value relies on harnessing our intellectual, human, social and relationship capital. We aim to do this by being a responsible employer, conducting our business ethically, operating in an environmentally sustainable way and enhancing the lives of the people in the communities where we work. The Group maintains a number of robust internal mechanisms to ensure that we conduct our business to high ethical standards.

Employees can raise any concerns about unethical activities through the Group's anonymous third-party reporting mechanism. In addition, the BAM Worldwide Safety Day in 2021 focused on asking everyone to 'speak up' in order to make the workplace a healthier, happier, productive, and therefore safer place. Employees and anyone working on our sites can also raise observation cards to report ethical breaches or other concerns.

The prevalence of fraud within the industry continues to be an area of risk in the Group. As a consequence, we communicate and work closely with our clients and suppliers to highlight the risk of third-party fraud. Ensuring our employees remain vigilant about the risk of fraud is an important mitigation strategy and we encourage them to raise any issues of concern through management channels.

## People

The Board recognise, celebrate and thank our people for the outstanding qualities they bring. The positive, supportive culture created throughout our business is a competitive advantage.

All employees have the opportunity to participate in the Glint employee engagement survey, which is confidential and completed on a quarterly basis. Findings from this are used to continuously develop and improve our inclusive culture. Where we identify areas for improvement, we set realistic actions ensuring that we consult with our colleagues throughout. The survey has highlighted that our employees are very engaged, and that they value our employee culture. Current focus areas for improvement include, empowering our employees and providing more frequent communications from leadership, with particular focus on organisational change. The Company directly employed 3,328 people at 31 December 2021.

In 2021 our focus intensified to support people's health and wellbeing, and we have now trained over 200 employees as wellbeing champions, this has helped us to support our employees through the challenges of recent global events. We have worked with Women in Science and Engineering (WISE) on action plans to increase diversity and improve inclusion, this will continue to be a focus area for 2022. The correlation between wellbeing and belonging being an important factor for involving and including as many colleagues as possible.



# Strategic report

## Diversity and inclusion

BAM Nuttall is committed to achieving a balance in our employee population, that better reflects society, benefits the business, and enhances people’s lives. Aiming to increase the attraction of construction and engineering as a destination for diverse talent we continued to partner cross industry organisations including WISE, becoming ‘Strategic Partners’ in 2020, Building Equality and Disability Confident.

A focus on women in our career and succession planning, and the introduction of targets for female new hires, increased the ratio of women in the middle and highest levels of our business. We have almost reached 1:4 gender balance, across our business. We are pleased our efforts to close our gender pay gap are achieving results, including 6.6% improvement in the mean average to 24.8%.

Our Centre of Expertise (CoE) for Social Impact and Inclusion, Inclusion Steering Group (ISG), and four @BAM People Networks continue to collaborate with our colleagues, clients and partners to create a greater sense of belonging and inclusion. We regularly hold events and network meetings which strive to raise awareness on subjects such as Asperger’s in the Workplace, Safe Space calls, celebrating International Women’s Day and marking Black History Month.

Our @BAM networks represent and amplify the voices of minorities and allies, who share their experiences and ideas to improve policies and procedures. Any colleague can join any network and their regular meetings and events, joining executive sponsors who take feedback and learning into the boardroom when making decisions. Our four networks cover gender parity (WISE@BAM), LGBTQ+ (PROUD@BAM), minority ethnicity (ME@BAM), and disability/neurodiversity (ABILITY@BAM).

Each network is partnered with an external organisation to ensure that we promote our efforts externally and are able to tap into the most up-to-date knowledge. For example, WISE@BAM, our gender parity network, is partnered with the WISE Campaign. In 2021, WISE ran sector-specific workshops which created a roadmap for improving our gender balance. During 2022, this is something we will repeat and measure our progress against.





We marked National Inclusion Week (NIW) in September 2021 by holding a series of events, webinars and interactive discussion sessions. These were available to all employees, subcontractors, and workforce. Highlights included the Equally Yours Diversity Board Game where four sessions were held. Furthermore, individual projects including the Transpennine Route Upgrade (TRU) and CP6 Rail South who held lively discussions exploring identity and how it is important within the workplace to bring our whole selves to work.

In 2021, several projects, including Silvertown Tunnel, Transpennine Route Upgrade West, and EKFB HS2 are either working towards, or have achieved, Level 2 or higher ‘Disability Confident Employer’ status. BAM Nuttall achieved Disability Confident Level 2 Employer. BAM Nuttall took part in Royal BAM Group Return on Inclusion Audit with EA Inclusion which identified a road map for change and improvement. We will continue to work with EA Inclusion throughout 2022 as part of our wider transformation piece.

BAM Nuttall improved the number of Diversity Action Plans on our projects with a view to all projects having a live Action Plan by Q2 2022. We piloted our first Personal Impact Training for Women in the North of England with a cohort of 12 women identified as high potential with the objective of supporting these women to progress in their career and training opportunities. This has been conducted in partnership with SKILLS4.

In September 2021, BAM Nuttall was highly commended at the Construction News Awards 2021 under the Diversity and Inclusion Excellence category. In recognition of:

- **‘Women into Construction’ ‘Moving On Up’ Programme:** This programme helped 40 women in ‘lower quartile’ roles to progress within their careers. 100% of participants in 2020 moved up at least one

 <p>Minority Ethnicity / Heritage <b>Ian Parish</b> Executive Director</p>	 <p>LGBTQ+ <b>Ian Phillpot</b> Financial Director</p>
 <p>Gender Balance <b>Richard Lewis</b> People and Performance Director</p>	 <p>Disability / Neurodiversity <b>David McGowan</b> Business Excellence Officer</p>

# Strategic report

grade, through promotion or by achieving course accreditations.

- **Timewise:** We invested in a research project with Timewise and Build UK to identify barriers to flexible working, which produced a recommendations report informing our new Flexible Working policy and associated procedures.
- **'10,000 Black Interns':** BAM committed to providing six summer placement opportunities for the '10,000 Black Interns' programme which will take place in 2022. Various roles were offered by BAM Nuttall including Engineering, Commercial and Preconstruction.
- **Building Equality:** BAM supports LGBT+ industry events, including LGBT History Month and Pride Month. Events are conducted throughout the year. In December 2021, to recognise World HIV Day, an event was held with the TRU project and the George House Trust charity.
- **Apprenticeship recruitment and Social Media:** BAM Nuttall conducted targeted social media campaigns during National Apprenticeship Week, International Women's Day (IWD), and British Science Week, where our team from Antarctica joined a live webinar to inspire the next generation. This increased our female social media following by 11%, and female apprenticeship intake rose to 33% (from <20%). Furthermore, at BAM Nuttall, 18% of apprentices are from ethnic minorities – three times the construction average, due in part to a successful STEM engagement programme targeting under-represented groups.

## Enhancing Lives

Our Enhancing Lives strategy focuses on four areas: maximising the social value of investment, promoting volunteering with charities, enhancing the impact of the supply chain and optimising industry partnerships to futureproof the skills and talent pipeline. We do this in collaboration with our customers and supply chain focusing on local priorities and responding to the needs of local communities.

We recognise that to harness the best diverse talent for our industry, we must work hand-in-hand with schools, colleges, universities, and training providers. In 2021,

we trained 63 STEM Ambassadors. This resulted in almost 8,000 lives enhanced through STEM engagement activities. In addition, we delivered almost 300 work placements, apprenticeship opportunities and other work-based training programmes.

In recognition of our colleagues, we awarded three Enhancing Lives Awards throughout 2021. These awards recognised a variety of activities and initiatives within our business including:

- The Kickstart Scheme on Leeds FAS2 and LPTIP – Temple Green Park and Ride
- Ace of Clubs Community Centre Refurbishment – Balham Station
- St Johns Ambulance Volunteer – Jackie Mitchell, Apprentice Planner at Transpennine Route Upgrade

We have improved our approach to inclusive recruitment by partnering with an organisation called Ingeus, part of the Department for Work and Pensions (DWP), who enable BAM Nuttall to proactively reach out into the disabled and neurodivergent talent pool and remove any unnecessary barriers to entry.

By improving our approach to procurement, we now seek to employ more supply chain partners who share our social purpose, optimising the amount of social value that we create. One example of this is our relationship with commercial waste services provider, Recycling Lives. By working with this company in our Rail Sector, we have created an additional £25,000 of Social Return on Investment (SRoI) which contributes an additional £47,000 to the local economy in Kent.

BAM Nuttall employees are given three additional days per year on top of their annual leave to dedicate to their wellbeing and volunteering efforts. This equated to 3,563 days taken. Over the course of the year, volunteering activities conducted by BAM Nuttall employees enhanced 4,517 lives. BAM Nuttall employees have volunteered and fundraised for charities such as:

- Fortalice; Alice's Ark; The Lighthouse Future's Trust; Mates in Mind; The Proud Trust; MIND; MacMillan; RNLI; The Falklands Islands Memorial Chapel Trust; Breast Cancer Now.

# Strategic report

This is a short selection of the many charities BAM Nuttall has engaged with over the course of 2021. In 2021, BAM Nuttall and its employees raised just under £30,000 for charities all over the country.

Where appropriate, most live tenders now adopt the Social Value Portal Needs Analysis to establish the most meaningful social value activities in a local area. This means that successfully awarded projects have a live Social Value Action Plan from Day 1. We capture, measure and report our progress using the Social Value Portal - giving clients access to real-time information around our social value contribution. This enables BAM Nuttall to demonstrate compliance with PPN 06-20 amendment to the Public Services Act 2012. In 2022, we aim to have all relevant projects utilising the portal.

During 2021, we became closer to our customers by running several knowledge sharing sessions with the Environment Agency, National Highways and Network Rail. The Environment Agency are now working in partnership with BAM Nuttall to create a new social value standard by sharing good practice.

We, along with BAM Construct UK, invested in the Construction Pioneers research project with Timewise and Build UK to identify barriers to flexible working, and using recommendations to develop our new Flexible Working policy. This was piloted and implemented during 2021 meaning any employee can now access formal and informal flexible working arrangements.

## Working better for safety, health and wellbeing

We focus on four areas for safety, occupational health, mental and physical wellbeing. We strive to give each approach its own profile and importance, while connecting the correlation of these themes through raising awareness, educating and inspiring people, accelerating change and improvements.

Our continuing goal is to have completely safe operations so that Company employees, everyone who works with the Company, and all stakeholders suffer no injury or ill health through our activities.

In June 2018 we launched a safety campaign, Your Safety is My Safety (YSIMS) with all operating companies in the Royal BAM Group. The YSIMS campaigns emphasise individual and collective responsibility for safety for all employees. Our values of Predictable Performance, Proactive Ownership, Open Collaboration and Scalable Learning, are applied to our approach to safety.

In 2021, the main causes of safety incidents involving lost time, related to access and equipment issues. Our accident rate is low, and we continue to pursue further improvement. For 2022 our key objectives are focused on continuing the reduction of exposure to silica dust, review of the site induction process, fatigue management and utilising training via Microsoft Teams as developed during the COVID-19 restrictions. We continue to maintain a policy prohibiting the use of forward tipping dumpers and are taking further steps on our journey towards zero risk for hand arm vibration by focusing on design.

Senior managers across the Company conduct regular safety tours on our construction sites to demonstrate visible leadership on all matters of health and safety. In 2021, 808 site safety inspections were conducted. As part of our commitment to being a responsible contractor, all our sites register with the considerate construction scheme. In 2021, our average Considerate Constructors score was 41 – against an industry average of 38.

Our safety performance depends on collaboration and engagement with our supply chain. Our sector delivery teams and procurement department stage knowledge sharing conferences, both on and off site, with their supply chain partners. As well as recognising good safety performance among the supply chain through awards. The Company safety management system is accredited to meet ISO 45001.

Best practice and lessons learnt from incidents are shared across all offices, project sites and teams using our intranet and management bulletins. We regularly update our procedures and guidance and share a seasonal 'Safe Start' briefing across sites. These updates are highlighted in our 'Monthly Team Briefings' and reinforced in regular team meetings. Over 1,000 BAM Nuttall employees receive their annual health and safety update training remotely – this includes a module on mental health and wellbeing.

# Strategic report

As well as extensive training and monitoring of safety policies, processes and procedures, we promote wellbeing throughout the Company and with our supply chain. Activities such as webinars, with experts from Bupa, site Toolbox Talks, onsite nurses, health checks and advice offered, which extend to families of employees and suppliers. Over 1,600 employees were monitored by the occupational health team in 2021 as part of the company's employee health surveillance programme.

We have publicly stated our commitment to improving the mental health of our people, and breaking taboos, by signing the 'Time to Talk' pledge. We received the Gold Award in the national Mind Index and Investors in People Health and Wellbeing Award, in addition to company and individual industry awards for our mental health and wellbeing work.

We see a continuing increase in the uptake of the volunteering day and two wellbeing days that are available to everyone who works for the company, with many people sharing stories from their days on our intranet and Yammer. We continue to promote and provide these benefits in 2022.

An ongoing programme of activities included more than 30 wellbeing webinars on topics such as loneliness, women's and men's health issues, incontinence, suicide awareness, menopause, cancers related to lifestyle to help employees manage their mental health, speak openly about mental health issues and to raise awareness of issues surrounding mental health, along with sources of support for mental health issues. We have continued our mental health awareness training and our investment in mental health first aiders, with more than 200 now trained and supporting employees in our business. We captured and shared COVID-19 specific case studies including how we created virtual offices to combat loneliness. A companywide physical activity was run in the month of June – BAMathon – which invited employees to participate in walking, running or cycling teams. More than 1 in 6 did participate, so we enjoyed a high level of engagement with this, and plan to repeat the event in 2022.

We are seeing increasing evidence that people feel safe talking about mental health issues. More than 300 people, mostly employees, accessed our Employee Assistance

Programmes in 2021 which is available to all our people, their families and our suppliers' employees. The Company also has onsite counselling support, which is increasingly being used. Additionally, our leaders have supported our wellbeing webinars by speaking about what wellbeing means to them, how they manage their own wellbeing by sharing very personal stories about poor mental health themselves, or within their family. This all helps create the culture that makes it okay to not be okay. We are working towards the standards created in the ISO 45003 Guidance (on workplace health and wellbeing).

These ambitions and initiatives align with our client's strategic goals. In 2021, we collaborated with numerous partners including providing sponsorship and support for Network Rail's 'Rail Wellbeing Live' events promoted across industry, and collateral for CECA's industry campaign 'Stop. Make A Change' safety and wellbeing conversation starters.

The Board is committed to directly engaging with employees. An annual series of Roadshows were attended in person by around 550 employees and, following the introduction of COVID-19 restrictions, many more watched the Roadshow online. In 2020, we launched a new global intranet, BAM Connect, and rolled out Microsoft Office 365 business and collaboration tools, just as the pandemic arrived on UK shores. Board members and experts communicate via webinars, vlogs and posts on the intranet, BAM Connect, and Yammer, allowing employees the opportunity to post questions directly and receive answers.

We encourage employees to take ownership of and develop their personal and professional skills so they can progress their careers at BAM Nuttall and enhance their lives. The Company regularly reviews levels of pay and employee benefits to offer competitive salaries and an attractive range of additional benefits.

Every employee has opportunities to set yearly development goals, based on the 70:20:10 principles of learning. As face-to-face learning in classroom and events have been restricted, managers have adjusted learning styles to meet the needs of remote colleagues. We provide e-learning to explain our compliance policies and procedures and reinforce BAM Nuttall's values and Code of Conduct.

# Strategic report

We opened access to an interactive learning platform, Goodhabitiz, providing personal and professional development courses for individuals and their families. From cyber security advice, managing family matters, to project updates internal and external experts ran sessions to support colleagues, whatever challenges they faced.

In 2016, employees and managers across the Company developed a mentoring programme to encourage people to seek support as part of their personal and career development. In 2018 this programme introduced reverse mentoring for senior managers to informally engage with colleagues in different parts of the organisation, particularly those in minority groups including female, young and minority ethnic colleagues, to understand better how to attract and retain people.

In 2021, we continued to promote our Mentoring@BAM scheme, using QR codes on site posters to broadcast videos of colleagues sharing the benefits of having a mentor or mentee and encouraging peers to join the scheme. This resulted in a jump in numbers to over 300 pairings.

The Company makes use of the Insights Discovery tool to help employees understand their preferred working style and to recognise and understand the preferred working styles of their colleagues. This has helped the business create high performing collaborative teams, able to meet the demands of any particular project. The Company has people qualified as practitioners who are able to deliver Insights workshops and feedback sessions and these workshops have in many cases been extended to joint venture and client teams.

Having a core of experienced and motivated people who are readily able to express themselves, share their knowledge and experiences, creates an advantage in an environment that demands such significant change. These opportunities to support and inspire others, help retain talent in our business, as they can see and feel multiple layers of our purpose in action, enhancing people's lives by creating sustainable environments.

## Events subsequent to the balance sheet date

After the end of the accounting period, tragically in early June 2022 there was a fatality at the Viking Wind Farm project site in Shetland. Our thoughts are with our late colleague's family to whom we are providing support. An investigation has commenced into the circumstances of this tragic accident, but it is too early to determine cause or any further consequences. The Company is providing assistance to the Health and Safety Executive in their work

## Research and development

The Company continued investment in research and development during 2021, progressing initiatives in digital construction, materials technology and machine learning to improve productivity and reduce risk in our project delivery.

In November, BAM Nuttall took part in an internal online event to 'inspire our teams with a vision of the future of construction in order to enable better decisions today'. This event, branded DigiCon21, brought people from across the Royal BAM Group together over more than 60 sessions to raise awareness of the great things being done internally, as well as having panel discussions on key topics such as industrialised construction and change management.

Over the past year the company has supported the development of the Royal BAM Group's transformation strategy which focuses on further increasing capability in the areas of digital construction, a drive towards industrialised construction, and the roll out of a next generation of information management system.

Augmented reality is being used more on projects as the technology becomes more accessible to those delivering projects. It is showing the potential to improve site communication, stakeholder engagement and aid with buried service avoidance.

The use of machine guidance, which will help establish workflows necessary for increasingly autonomous plant has increased. It is now being used not just for large scale earthworks but also for delivering works in complex underwater scenarios through to standard drainage runs and installation of kerbs.

# Strategic report

The development of 3D concrete printing as a potential new way of manufacturing infrastructure continued with the deployment of printed assets on several UK projects including stairs on Houghton Brook project for the Environment Agency and the M8 footbridge for Glasgow City Council (this project also won the Digital Engineering Award at NCE Techfest).

BAM Nuttall continues to be a key influencer and participant in industry bodies through participation in groups such as [ENCORD](#), [GIRI](#), i3P and UK5G as well as providing speakers for various industry events.

We continued to engage with UK Research & Innovation (UKRI), through the successful completion of 'The Weather Ledger' and 'One Source of Truth' projects that were part of the Transforming Construction Challenge.

The Company was successful in a bid to the Department of Business, Energy and Industrial Strategy (BEIS) to continue the development of 'One Source of Truth' (also known as BAMCAM) and identify how it may be used to drive positive plant operator behaviour reducing fuel consumption on construction sites.

Development of the 5G-AMC2 project as part of the UK Government 5G Create programme continued with private 5G networks successfully deployed at Kilsyth and Shetland. Use cases on the private 5G networks included BAMCAM which then provides potential for further improvements in how infrastructure is delivered efficiently.

## Sustainability

The Company aims to have a net positive impact on climate change, material resources and society by 2050. We are supporting clients to achieve more ambitious targets, including net zero by 2030 for specific projects. We pursue a sustainability strategy in line with other operating companies in Royal BAM Group with three long term aspirations: to become climate positive, resource positive and people positive, i.e. make a real and positive difference to the lives of people we encounter through our day-to-day activities.

## Streamlined Energy and Carbon (SECR) reporting

### Background

Since 2008 BAM Nuttall has reported its direct carbon emissions footprint in order to meet customer, legislative and parent company requirements and we have mature energy and carbon measurement systems which have continually improved over time. We continue to focus on reducing our liquid fuel usage which is responsible for 2/3rds of our direct scope 1 carbon emissions in a typical year. Earthworks are a significant driver of these emissions due to their use of very large and numerous earthmoving equipment almost exclusively powered by liquid fuel.

### 2021 summary

Our reported carbon emissions inventory widened in 2021 to reflect the requirements of PPN06/21. Therefore in addition to the previously reported scope 1, 2 and staff travel emissions, we now include a sub-set of scope 3 emissions arising from construction processes, including; waste, upstream transport of purchased goods and services, water, hotels and 'well-to-tank' emissions of the fuels and energy we use. Our total reported carbon emissions in 2021 was 53.74kt resulting in an intensity of 48.05tCO<sub>2e</sub> per £M turnover – a reduction of 10% on 2020 levels and approximately 40% lower than our 2015 baseline. Our carbon emissions inventory showing 2020 and 2021 data is shown in **figure 1**.

# Strategic report

## 2021 inventory

Resource	Consumption	Unit of measure	tCO <sub>2</sub> e	% Share tCO <sub>2</sub> e
Air travel	1,560,730	Miles	531	0.99%
Diesel	1,938,929	Litres	4,874	9.10%
Electricity	12,715,267	kWh	6,806	12.70%
Gas	539,413	kWh	98	0.18%
Gas Oil	7,792,570	Litres	21,376	39.90%
Heating Oil	12,938	Litres	32	0.06%
Hotel Stays	20,796	Nights	290	0.54%
HVO	950,860	Litres	34	0.06%
Material Transport	1,346,521	Miles	4,459	8.32%
Petrol	74,402	Litres	163	0.30%
Rail Travel	818,191	Miles	46	0.09%
Road Travel	8,120,014	Miles	1,596	2.98%
Waste	627,503	Tonnes	4,733	8.83%
Water	73,096	Meters <sup>3</sup>	25	0.05%
Well to Tank for Scope 1&2			8,505	15.88%
<b>Total</b>			<b>53,574</b>	

## 2020 inventory\*

Consumption	tCO <sub>2</sub> e	% Share tCO <sub>2</sub> e
2,080,207	645.67	1.43%
1,318,843	3,362	7.46%
8,328,533	2,289	5.08%
598,973	110	0.24%
6,484,667	17,856	39.63%
22,902	58	0.13%
5,440	85	0.19%
0	0	0.00%
934,684	5,846	12.97%
51,229	111	0.25%
1,330,938	80	0.18%
7,912,735	1,753	3.89%
794,131	6,796	15.08%
16,357	5.63	0.01%
	6,060	13.45%
	<b>45,062</b>	

Figure 1: BAM Nuttall emissions inventory 2020 vs 2021

\*2020 emissions have been updated following a reassessment by management, and are therefore different to the numbers presented in the Annual Report for 2020

Our emissions in 2021 were heavily influenced by the significant earthworks and tunnelling activities at the Cross River Rail scheme in Brisbane, Australia. This project accounted for 20% of our emissions and is being delivered in joint venture with three other contractors. The grid power in Australia contains very little renewable energy and is almost four times as carbon intense as the UK. Despite the impact of this project, across the rest of the business we note a more significant reduction in carbon intensity compared to 2020 levels. The following points highlight key areas where we have made carbon emissions reductions;

- We have begun switching from fossil fuels to bio-fuels and have used 950,000L of Hydrotreated Vegetable Oil (HVO) – a red diesel alternative with a circa 90% lower intensity. This has resulted in the mitigation of 2.5kt CO<sub>2</sub>e.

- There continues to be a marked reduction in business travel resulting from COVID-19 restrictions and the adoption of more permanent remote working practices. These account for approximately 1kt CO<sub>2</sub>e of the overall reduction.
- The introduction of an all-electric vehicle policy in 2021 has resulted in a 25% shift in company cars from fossil fuel powered to all electric. As a result of this policy, by 2025 our entire company car fleet will be electric.
- In total we have mitigated 5.7kt of direct carbon emissions with the majority of this coming from switching to HVO fuel and gradual switching from diesel generators to grid connections.

BAM Nuttall's performance in 2021 has contributed to Royal BAM Group maintaining its 'A' listing on the CDP leadership index – a key part of the Group's overall sustainability strategy.

# Strategic report

## Emission reduction targets

In 2019 Royal BAM Group formally ratified its Science Based Target (SBT), a global initiative operated by the CDP and IPCC which seeks to harmonise organisations emissions reduction strategies with global climate science. As part of this target, Royal BAM Group has committed to reduce its emissions intensity by 2030 for Scope 1 and 2 emissions by 50% against a 2015 baseline.

Furthermore, a target for all indirect scope 3 emissions has been included within our Science Based Targets and is set at a 20% absolute carbon reduction by 2030 against a 2017 baseline.

Our [carbon reduction plan](#) can be found on our website and details our targets including our commitment to net zero carbon, emissions inventory and sub-set of reduction targets for each emissions category.

## Emissions accounting methodology

Our emissions measurement is undertaken by consolidating supplier reports, project data submissions and smart metering into a central database from which the business can report to any interested party. Preference is given to obtaining measured data from digitised systems to help avoid duplication and human error. We report on a wide variety of emissions sources inclusive of scope 1 and 2 emissions and the sub-set of scope 3 indirect emissions mentioned in the summary

above. By including a wider sub-set of indirect emissions, we aim to have a better understanding of emissions arising from all construction processes that will ultimately give us a greater ability to control and reduce those emissions.

## Analysis

Year-to-year comparisons tend to be volatile depending on our order book but analysis of the underlying trends in the normalised direct emissions intensity shows a continued intensity reduction in the majority of our activities. **Figure 2** illustrates the emissions intensity trends split between 'heavy civils' (defined as projects with 500,000 tonnes or more of earthworks activities) and all other 'general civils'.

From this, we can assume the emissions intensity of significant earthworks projects is approximately 4x that of 'general civils' projects and they are therefore an obvious focus for emissions reduction solutions. The key challenge is the lack of alternative powered plant at the size and scale required to undertake such projects. We continue to work closely with plant manufacturers to stimulate innovation in large construction plant.

In 2022, we will continue to increase the take up of HVO biofuel into the business and establish more grid and renewable power on our projects.

5 year average tCO2e / £M turnover comparison between 'Heavy' and 'General' Civils

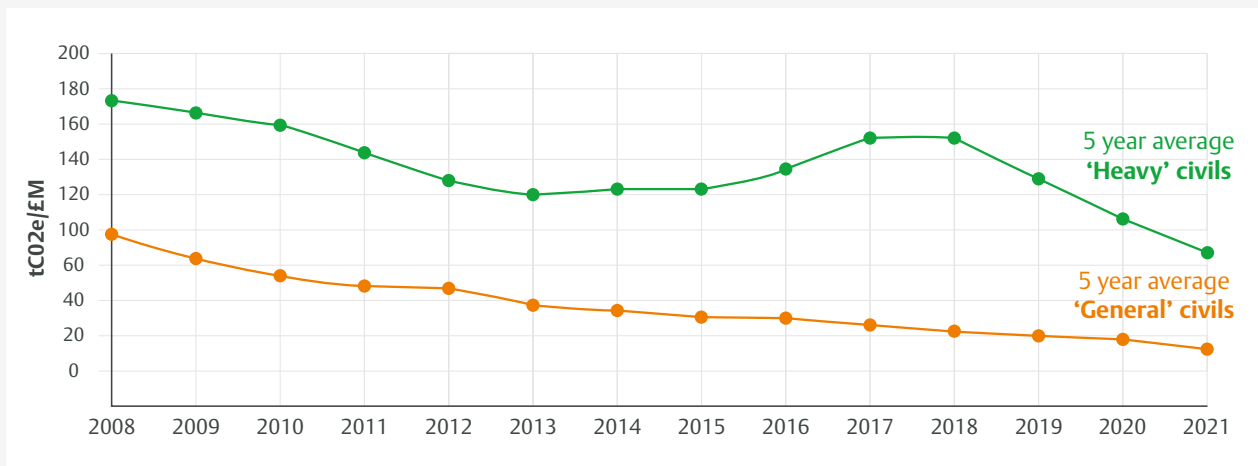


Figure 2: Long term emissions intensity trend split for 'heavy' and 'general' projects 2008 – 2021



# Strategic report

## Employee involvement

As reported in the Strategic Report (see pages 3–18), the Company engages with employees through a number of channels and activities to ensure they are aware and consulted about developments in the Company including its financial performance. This is achieved via a staff intranet, discussion forums, surveys and face-to-face communication by the Board through an annual series of virtual Roadshows.

## Section 172 (1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172(1) requires directors to have regard to, amongst other matters, the:

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

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

We delegate authority for day-to-day management of the Company to our senior leadership team and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held regularly where the Directors

consider the Company's activities and make decisions. As a part of those meetings the Directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions.

The Company's key stakeholders are its workforce, customers, suppliers and the local communities in which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. The size and spread of both the Company's stakeholders and the Group means that generally our stakeholder engagement takes place at an operational and Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details of the engagement that takes place with the Group's stakeholders so as to encourage the Directors to understand the issues to which they must have regard please see the strategic report on pages 3–18.

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

Investment in people is a priority for the Company, offering employees (including contractors) the opportunity to develop and learn, either within their current role or to build networks and improve collaboration. The Directors engage with employees in a number of ways throughout the year including via roadshows, webinars, vlogs and posts on the intranet, BAM Connect, and Yammer. Employee engagement is maintained through a variety of channels including recruitment and on-boarding platforms, company-wide conferences, roadshows, development programmes and local communication events. During COVID-19, Director and employee engagement has been retained through several channels, allowing employees the opportunity to ask questions directly and receive answers.

# Strategic report

## Future developments

The Director's aim to maintain the management policies which have resulted in the Group's success to date. The Company intends to continue civil engineering activities, principally in the UK, but is also active in selected international opportunities working collaboratively with other Royal BAM Group operating companies and joint venture partners.

As our order book remains strong, we will be applying an optimistic but cautious approach to 2022 and beyond due to the COVID-19 pandemic. The Directors are also monitoring the changing UK political landscape resulting from the UK's exit from the EU at the end of 2020. Our industry remains in an uncertain position as the future impact of Brexit on issues such as access to labour, services and imports. The Directors have put measures in place to deal with various scenarios that may arise.

## Corporate Governance Statement

### Royal BAM Group nv

BAM Nuttall Limited ("BAM Nuttall") is a member of the BAM group of companies which is headed by Royal BAM Group nv. ("the Group"), a Dutch listed company that is subject to the Dutch Corporate Governance Code (the "Dutch Code");

A copy of the Dutch Code which has been translated into English can be found [here](#).

Notable features of the Dutch Code are its focus on long term value creation; provisions on enhanced risk management; rules for effective management and supervision; the introduction of culture and conduct as part of corporate governance; simple rules for remuneration; and rules regarding the relationship with shareholders.

The Dutch Code is a well-established and robust code which is applied by all listed companies in the Netherlands. The purpose of the Dutch Code is to facilitate – with or in relation to other laws and regulations – a sound and transparent system of checks and balances.

Royal BAM applies the Dutch Code throughout Royal BAM Group, through a detailed set of standards, policies and procedures that comply with, and seek to apply, the relevant provisions of the Dutch Code. These Group standards, policies and procedures apply to BAM Nuttall.

Pursuant to the Dutch Code, Royal BAM Group has issued an extensive, detailed corporate governance statement which describes the governance of the group, including its subsidiaries (such as BAM Nuttall). A copy of the statement is available on Royal BAM Group's website.

The Group corporate governance statement comprises a line-by-line overview indicating and describing the extent to which the group complies with the Dutch Code and the circumstances where the Group departs from compliance, in the latter case together with an explanation for such departure. This includes BAM Nuttall.

### Corporate Governance within BAM Nuttall

BAM Nuttall has therefore, for the purpose of Companies (Miscellaneous Reporting) Regulations 2018, formally adopted the Dutch Code.

In the opinion of the Directors of BAM Nuttall, given that BAM Nuttall is a member of Royal BAM Group and is subject to, and complies with, the standards, policies and procedures of Royal BAM Group, the adoption of the Dutch Code is in the best interests of BAM Nuttall, its shareholder and wider stakeholders. The Directors believe they have complied with the Dutch Corporate Governance Code to the extent that the Directors consider it relevant to the operating subsidiary of a listed Dutch group, noting departures from the Code below.

### Application of the Dutch Code by BAM Nuttall

By virtue of the fact that Royal BAM Group applies the Dutch Code throughout the group, its corporate governance statement also describes, generally, the corporate governance processes and procedures at BAM Nuttall, taking into account its position as a subsidiary of the Group.

# Strategic report

Certain parts of the Dutch Code apply to the group as a whole, including BAM Nuttall. These principles and provisions state that certain structures, policies and procedures must be in place to meet the Dutch Code's requirements, for instance relating to the Dutch Code's concept of long-term value creation and culture, and to more operational matters such as risk management, compliance and whistle-blower procedures. Royal BAM Group has issued standards, policies and procedures including a code of conduct and statement of business principles (copies of which are available on the Royal BAM Group website) to ensure that all operating companies

throughout the Group adhere to these elements of the Dutch Code. The board of BAM Nuttall operates within these group-wide standards, policies and procedures and is responsible for their application within BAM Nuttall.

In addition to following the group standards, policies and procedures of Royal BAM Group as described above, BAM Nuttall specifically applies the following elements of the Dutch Code as set out below:

## Long term value creation strategy

1.1.1	We have a business strategy. It is based on past performance and future market expectation and is monitored annually through an Operating Plan which itself is monitored quarterly by measuring financial, health and safety and environmental and Social Governance KPI's.
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## Risk management

1.2	Objectives are set as part of the business plan. The risks and opportunities associated with those objectives are monitored via a risk review process which includes monitoring of the business plan monthly and quarterly and the use of a risk register.
1.2.1	The risk appetite that underpins the strategy and activities of the company includes Stage Gate processes and lessons learnt.
1.2.2	Internal management and control systems are a function of the business process model referred to in a management manual.
1.2.3	There are various departments with oversight that monitor the operation of internal risk management covering all aspects of the business and report back on strengths and weaknesses in systems and, where necessary, improvements are implemented.

## Risk management accountability

1.4	There are internal reviews, feedback and improvements on risk management supported by external bodies for quality, finance, insurance and environment.
1.4.2 & 1.4.3	All the above (in 1.4) are reported monthly and quarterly relative to the operating plan and business plan.

## Effective management and supervision: Composition and size

2.1	The size, composition and available capabilities of the Board are evaluated annually in order to assure they are able to carry out their duties properly. This has oversight of Group.
2.1.4	Board members have specific professional and educational qualifications and maintain their knowledge on an ongoing basis.

## Decision making and functioning

2.4	The requirements of the Code are met by compliance with s172 of the Companies Act 2006.
2.4.1	Openness and accountability are stimulated across the company through various meetings at which Board members are present.
2.4.6	The size, composition and available capabilities of the Board are evaluated annually in order to assure they are able to carry out their duties properly. This has oversight of Group.

# Strategic report

<b>2.4.7</b>	The Company has monthly and quarterly reporting from operational sectors and support departments including quarterly team meetings.
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## Culture

<b>2.5</b>	S172 obligations are evidenced through the business plan and the annual operating plan.
<b>2.5.1</b>	The adoption of values and incorporation and maintenance of those values is aligned with the Group strategy.
<b>2.5.2</b>	Local policy and procedure are introduced to support the Group Code of Conduct.

## Misconduct and irregularities

<b>2.6 &amp; 2.6.1</b>	We operate the Speak Up procedure established by Group which is published on the Group's company homepage and on BAM Nuttall's intranet.
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## Preventing conflicts of interest

<b>2.7.1</b>	Conflicts are managed through the Articles of Association and Code of Conduct as applicable.
<b>2.7.6</b>	By compliance with the Code of Conduct, Board members are able to demonstrate that they can act fairly as between employees of the Company.

## One tier governance structure

<b>5.1</b>	The company acts with a one tier governance structure without the use of non-executive Directors.
<b>5.1.1</b>	In the absence of non-executive Directors, a Royal BAM Group Director, who is governed by the Dutch Code, chairs monthly and quarterly meetings.

## Departures from the Governance Code

The Dutch Code contains principles and provisions that are concerned with a listed parent company only: they relate for instance to the parent company's external auditor and investor relations. BAM Nuttall is a wholly owned subsidiary of Royal BAM Group with no external shareholders and, as such, there are elements of the Dutch Code that are not applicable: specifically, the departures are for the following reasons:

- The principles and provisions may not be applicable to the UK
- Section 2.5.3 is not applicable in the UK (requirement for a Works Council)
- The Company is not overseen by an audit committee or a Supervisory Board
- The Company doesn't have an executive committee
- The Company's Directors don't have a maximum period of appointment
- The Company doesn't have an appointment committee
- The Company's Board members have other Board positions
- The Company does have an external auditor but not an audit committee
- Royal BAM Group is the sole shareholder
- Code of Conduct matters are addressed with the Royal BAM Group GRC Director
- The Company does not have any shares available to be bought and sold on the open market
- Royal BAM Group decide the remuneration policy
- The Company does not have an AGM
- The Company's Executive Director chairs meetings
- The Company does not have committees as referred to in best practice 2.3.2
- The Company does not have non-executive Directors

For and on behalf of the Board

### Ian Parish

Executive Director  
30 June 2022

# Directors' report

## The Directors present their report and financial statements for the year ended 31 December 2021.

This Directors' report should be read in conjunction with the strategic report which is incorporated by reference (and shall be deemed to form part of) this Directors' report to the extent required by applicable law or regulation.

## Principal activity

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

## Going concern

The financial statements of BAM Nuttall Limited (the Company) have been prepared on a going concern basis as the Directors have concluded that the Company will continue in operational existence and meet its liabilities as they fall due for at least the period of their assessment which is to 30 June 2023.

The Company has net current assets of £113m and net assets of £158m. The Company meets its day-to-day working capital requirements through the cash held at year end of £147m, and through access to its other cash pooling balances held with Royal BAM Group. The Company does not have any bank debt or other external borrowings or facilities other than leases. The Company is a guarantor to borrowing facilities that are held by the Company's ultimate parent entity, Royal BAM Group nv. Please refer to note 21 for further details.

The Directors continue to consider the impact of COVID-19 on the future operating performance of the Company. However, following the lifting of the majority of restrictions across the UK, COVID-19 is not expected to have a significant impact on the Company's operations and future prospects.

In preparing the financial statements, the Directors have considered the impact of climate change on a number of key estimates within the financial statements, including the recoverability of deferred tax assets, the useful economic life of plant, equipment and other intangible

assets. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Company's going concern assessment to 30 June 2023.

The Directors have prepared base case and severe but plausible downside financial forecasts for the review period until 30 June 2023. Taking into consideration the current environment, the forecasts show that the Company is expected to maintain positive cash flows in the base case and in the downside scenario which models reduced productivity and increased costs across the Company.

However, given that the Company is reliant upon cash reserves held by Royal BAM Group and is a guarantor of borrowings of its ultimate parent company, the Company is reliant upon ongoing support of its ultimate parent. The Directors have received confirmation from the Company's ultimate parent entity that the Company will be provided financial support for the period until 30 June 2023. The Directors have assessed the ability of the ultimate parent company to provide this support, based on financial information for Royal BAM Group that has been shared with certain members of the Board. The Directors also attend monthly and quarterly management meetings and weekly liquidity reports are provided by Royal BAM Group's treasury function.

In view of the assessment performed, the Directors are satisfied that sufficient financial resources will be generated by the Company or received from its ultimate parent entity, Royal BAM Group nv., to enable the Company to continue in operation and meet its liabilities as they fall due for at least the period to 30 June 2023. Accordingly, the Directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

## Employee involvement

As reported in the Strategic Report (see pages 3–18) the Company engages with employees through a number of channels and activities to ensure they are aware and consulted about developments in the Company including its financial performance. This is

# Directors' report

achieved via a staff intranet, discussion forums, surveys and face-to-face communication by the Board through an annual series of virtual roadshows.

## S172 Statement

This Director's Report and the Strategic Report confirm compliance with the obligations set out in section 172(1) of the Companies Act 2006.

## Dividends

The Directors declared and paid a dividend of £4,000,000 during the year (2020 – £7,500,000).

## Results

The results of the Company are set out on page 26.

## Qualifying third party indemnity provisions for directors

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.

## Directors

The Directors who served during the year ended 31 December 2021 and up to the date of this report are as follows:

A P Savory	(resigned 1 October 2021)
I G Phillpot	(appointed 1 October 2020)
I M Parish	(appointed 1 October 2021)

None of the Directors have any personal or beneficial interest in the shares of the Group.

## Political donations

No political donations were made during the year (2020: £nil).

## Disclosure of information to the auditor

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

## Auditors

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

## Future developments

The Director's aim to maintain the management policies which have resulted in the Group's success to date. The Company intends to continue civil engineering activities, principally in the UK, but is also active in selected international opportunities working collaboratively with other BAM operating companies and Joint Venture partners.

Our order book remains strong: COVID-19 and other macro-economic issues are having a limited direct effect on construction but to reflect the higher inflationary environment, we will be applying a conservative approach to 2022. This approach is in addition to the Directors continued monitoring of the changing UK political landscape resulting from the UK's exit from the EU at the end of 2020. Our industry remains in an uncertain position as the future impact of these issues on access to labour, services and imports. The Directors have put various measures in place to deal with various scenarios that may arise.

For and on behalf of the Board

### Ian Parish

Executive Director  
30 June 2022

# 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

## 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 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the company's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- We performed our own assessment of the going concern risks at the planning and execution stages of the audit.
- We obtained management's going concern assessment, including the cash forecast for the going concern period to 30 June 2023 (the review period). The company has modelled base case and downside scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the company.
- We have tested the key assumptions included in the base and downside cash forecasts by reference to supporting information and searched for contrary evidence to challenge the assumptions.
- We assessed the impact of Covid-19 on the projections, testing management sensitivities and applying our own.
- We determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- Given the company's reliance on its ultimate parent undertaking, we examined the letter of support from the ultimate parent to determine the adequacy of comfort provided to the Directors of BAM Nuttall Limited and the ability of the ultimate parent to provide the support as required. This included reviewing the going concern assessment performed by the parent company auditors, requesting additional information from those auditors and considering various financing sensitivities.



# Independent auditor's report

- We read the company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the review period to 30 June 2023.

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

## Other information

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

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 21, 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.

# Independent auditor's report

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

## Auditor's responsibilities for the audit of the financial statements

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

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006, Bribery Act 2010, Construction Act 2009, Health and safety laws and Money Laundering regulations.
- We understood how BAM Nuttall Limited is complying with those frameworks to the extent that is material to the financial statements by making enquires of management and those responsible for legal and compliance procedures, including the Board of Directors. We corroborated our enquires through reading board minutes and compliance issues reported.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various part of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage contract results. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals, reviewing legal advice where relevant and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding, we designed our audit procedures to identify noncompliance with such laws and regulations that could give rise to material fraud or error in the financial statements. Our procedures involved reading of board minutes to identify noncompliance with laws and regulations, a review of the reporting to the Board of Directors on compliance and regulations by the internal compliance team, enquires of management, journal entry review, correspondence received from company's external and internal legal counsel and regulatory bodies and inquiries made to the internal and external legal counsel.

# Independent auditor's report

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

## Use of our report

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

### **Bob Forsyth (Senior statutory auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
30 June 2022

# Statement of comprehensive income

for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
<b>Revenue</b>	3	1,073,269	843,923
Costs and expenses		(1,047,375)	(838,990)
<b>Operating profit</b>	4	25,894	4,933
Other income	23	-	4,200
Profit on disposal of fixed assets		89	2,014
Finance income	7	651	949
Finance expense	7	(441)	(474)
<b>Profit before taxation</b>		26,193	11,622
Income tax charge	8	(8,240)	(3,799)
<b>Profit for the year</b>		17,953	7,823
<b>Other comprehensive income / (expense):</b>			
Actuarial losses on defined benefit pension plans	19	27,479	(11,263)
Income tax relating to components of other comprehensive income	8	(4,924)	2,563
<b>Other comprehensive income for the year, net of tax</b>		22,555	(8,700)
<b>Total comprehensive income for the year</b>		40,508	(877)

All amounts relate to continuing operations

# Balance sheet

at 31 December 2021

	Notes	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	9	-	-
Tangible assets	10	10,654	8,940
Right of use assets	17	14,632	15,838
Investments	11	15,206	1
Defined benefit pension plan asset	19	56,026	25,243
Deferred tax asset	8	2,000	1,407
		98,518	51,429
<b>Current assets</b>			
Stocks	12	1,484	634
Debtors due in less than one year	13	299,550	221,408
Debtors due in more than one year		9,726	4,250
Amounts due from customers under construction contracts (contract assets)	14	86,163	59,988
Cash at bank and in hand		147,346	143,120
		544,269	429,400
<b>Current liabilities: amounts falling due within one year</b>			
Trade and other payables	15	(283,414)	(235,813)
Amounts due to customers under construction contracts (contract liabilities)	16	(148,315)	(84,530)
		(431,729)	(320,343)
<b>Net current assets</b>		112,540	109,057
<b>Total assets less current liabilities</b>		211,058	160,486
<b>Creditors: amounts falling due after one year</b>			
Lease liabilities	17	(9,903)	(10,752)
Deferred tax liability	8	(14,007)	(4,796)
Provisions for liabilities	20	(28,924)	(23,222)
		(52,834)	(38,770)
<b>Net assets</b>		158,224	121,716
<b>Capital and reserves</b>			
Called up share capital	18	27,000	27,000
Profit and loss account		131,224	94,716
<b>Equity shareholders' funds</b>		158,224	121,716

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

**I M Parish,**  
Executive Director,  
30 June 2022

# Statement of changes in equity

at 31 December 2021

	Share Capital £000	Retained Earnings £000	Total Equity £000
<b>As at 1 January 2020</b>	<b>27,000</b>	<b>103,093</b>	<b>130,093</b>
Profit for the year	-	7,823	8,735
Other comprehensive income	-	(8,700)	(8,700)
<b>Total comprehensive income for the year</b>	-	(877)	(877)
Equity dividends paid	-	(7,500)	(7,500)
<b>At 31 December 2020</b>	<b>27,000</b>	<b>94,716</b>	<b>121,716</b>
Profit for the year	-	17,953	17,953
Other comprehensive income	-	22,555	22,555
<b>Total comprehensive income for the year</b>	-	40,508	40,508
Equity dividends paid	-	(4,000)	(4,000)
<b>At 31 December 2021</b>	<b>27,000</b>	<b>131,224</b>	<b>158,224</b>

# Notes to the financial statements

at 31 December 2021

## 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 2021 were authorised for issue by the Board of Directors on 30 June 2022 and the balance sheet was signed on the Board’s behalf by I M Parish. 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 nv.

The results of BAM Nuttall Limited are included in the consolidated financial statements of Royal BAM Group nv. 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**.

## 2. Significant accounting policies

### Basis of preparation

#### Going concern

The financial statements of BAM Nuttall Limited (the Company) have been prepared on a going concern basis as the Directors have concluded that the Company will continue in operational existence and meet its liabilities as they fall due for at least the period of their assessment which is to 30 June 2023.

The Company has net current assets of £113m and net assets of £158m. The Company meets its day-to-day working capital requirements through the cash held at year end of £147m, and through access to its other cash pooling balances held with the Royal BAM Group. The Company does not have any bank debt or other external borrowings or facilities other than leases. The Company is a guarantor to borrowing facilities that are held by the Company’s ultimate parent entity, Royal BAM Group nv. Please refer to note 21 for further details.

The Directors continue to consider the impact of COVID-19 on the future operating performance of the Company. However, following the lifting of the majority of restrictions across the UK, COVID-19 is not expected to have a significant impact on the Company’s operations and future prospects.

In preparing the financial statements, the Directors have considered the impact of climate change on a number of key estimates within the financial statements, including the recoverability of deferred tax assets, the useful economic life of plant, equipment and other intangible assets. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Company’s going concern assessment to 30 June 2023.

The Directors have prepared base case and severe but plausible downside financial forecasts for the review period until 30 June 2023. Taking into consideration the current environment, the forecasts show that the Company is expected to maintain positive cash flows in the base case and in the downside scenario which models reduced productivity and increased costs across the Company.

However, given that the Company is reliant upon cash reserves held by the Royal BAM Group and is a guarantor of borrowings of its ultimate parent company, the Company is reliant upon ongoing support of its ultimate parent. The Directors have received confirmation from the Company’s ultimate parent entity that the Company will be provided financial support for the period until 30 June 2023. The Directors have assessed the ability of

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

the ultimate parent company to provide this support, based on financial information for the Royal BAM Group that has been shared with certain members of the Board. The Directors also attend monthly and quarterly management meetings and weekly liquidity reports are provided by Royal BAM Group's treasury function.

In view of the assessment performed, the Directors are satisfied that sufficient financial resources will be generated by the Company or received from its ultimate parent entity, Royal BAM Group nv., to enable the Company to continue in operation and meet its liabilities as they fall due for at least the period to 30 June 2023. Accordingly, the Directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

### Disclosure exemptions

On account of the Company being consolidated by Royal BAM Group nv, whose financial statements are prepared in accordance with international financial reporting standards (IFRS), the Company has taken advantage of the following disclosure exemptions under IFRS 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;
- (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; and
- (m) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

### New and amended standards and interpretations

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

#### New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

### Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

### COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30

June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

### Judgements and key sources of estimation uncertainty

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and the current market and COVID-19 conditions. The basis for these estimates remain unchanged compared to those described in the 2020 financial statements, except that the level of estimation uncertainty due to COVID-19 has diminished as the impact of the pandemic on society has reduced.

### a) Revenue recognition – contract revenue and costs

When the outcome of a contract can be estimated reliably, the contract revenue is highly probable and the contract will be profitable, contract revenue and costs are recognised over the period of the contract, usually by reference to the stage of completion using the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. When it is probable that total contract costs will exceed total contract revenue, the forecast loss is recognised as an expense immediately, with any future element included in a provision for onerous contracts. When the outcome of a contract cannot be estimated reliably, for instance in the early stages of a contract, but it is expected that the cost incurred in satisfying the performance obligation under the contract will be recovered, then revenue will be recognised to the extent of the cost incurred with nil margin, until the outcome of a contract can be reliably measured.

In determining the stage of completion the company has systems for cost estimating, forecasting and revenue and costs reporting. The system also requires a judgement (forecast) of the final outcome of the project, including variance analyses of divergences compared with earlier assessment dates. Estimates are an inherent part of this assessment, being based on certain assumptions and professional estimates of costs to complete. Thus the actual future outcome may materially deviate from the estimated outcome, specifically for major and complex

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

contracts. However, historical experience has also shown that estimates are, on the whole, sufficiently reliable. See 'Principal accounting policies – Construction contracts' note for further explanation regarding the recognition of revenue for contracts.

### b) Claims receivable

In the normal course of business, the company recognises contract assets in connection with claims for (partly) satisfied performance obligations due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Claims for satisfied performance obligations are part of the variable considerations under IFRS 15. Project related claims on principals are recognised when it is highly probable that no significant reversal in the cumulative revenue recognised regarding to the claim, will occur. The Company considers both the likelihood and the magnitude of a possible revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:

- The amount of consideration is highly susceptible to factors outside the entity's influence. Those factors may include the judgment or actions of third parties such as the court or an arbitration committee or weather conditions;
- The uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- The entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value;
- The entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances;
- The contract has a large number and broad range of possible consideration amounts.

Insurance claims can be recognised only if it is virtually certain that the amount recognised will be reimbursed. See 'Principal accounting policies – Construction contracts' note for further explanation regarding the recognition of variable consideration.

### c) 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**.

### d) Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. An indication of the effect of changes in assumptions, such as the discount rate used and member life expectancy is disclosed in **note 19**.

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

#### Investments in subsidiaries

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

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

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 costs are charged to the income statement as incurred. Development expenditure is capitalised on the balance sheet where there is a clearly defined project, the expenditures are separately identifiable, the project is technically and commercially feasible, all costs are recoverable by future revenue and the resources are committed to complete the project.

### 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 and other debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Trade and other receivables, other than those measured in accordance with IFRS 15, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit loss.

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

### Construction contracts

As per 1 January 2018, the Company has implemented IFRS 15 regarding revenue recognition. IFRS 15 follows a five-step approach to recognise for revenue, which is set out below. Certain specific topics have been included or referred to the applicable note. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction Contracts' and related interpretations. The core principle of IFRS 15 is a five-step model to distinguish each distinct performance obligation within a contract that the Company has with its customer and to recognise revenue on the level of the performance obligations, reflecting the consideration that the Company expects to be entitled for, in exchange for those goods or services.

The following five steps are identified within IFRS 15:

- **Step 1 'Identify the contract with the customer':**  
Agreement between two or more parties that creates enforceable rights and obligations (not necessarily written).
- **Step 2 'Identify the performance obligations':**  
A promise in a contract with a customer to transfer a good or service to the customer.
- **Step 3 'Determine the transaction price':**  
The transaction price is the amount of consideration to which an entity expects to be entitled for in exchange for transferring promised goods or services to a customer.
- **Step 4 'Allocate the transaction price':**  
The objective of allocating the transaction price is for

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

the Company to allocate the transaction price to each performance obligation.

- **Step 5 'Recognise revenue':**

The Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer.

- **Step 1 'Identify the contract with the customer'**

IFRS 15.9 requires that five criteria must be met before an entity accounts for a contract with a customer. Once an arrangement has met the criteria, the Company does not assess the criteria again unless there are indicators of significant changes in the facts or circumstances.

The achievement of the preferred bid status is not considered as a contract. As from the achievement of the preferred bid status, costs will be capitalised as an asset if enforceability of right to payment exists. This mainly concerns costs to fulfil the contract.

Multiple contracts are combined and accounted for as a single contract when the economics of the individual contracts cannot be understood without reference to the arrangement as a whole. Indicators that such a combination is required are:

- (a) the contracts are negotiated as a package with a single commercial objective;
- (b) the amount of consideration to be paid in one contract depends on the price or the performance of the other contract;
- (c) the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

A change to an existing contract for a project of the Company is a modification. A contract modification could change the scope of the contract, the price of the contract, or both. A contract modification exists when the Company and the customer approve the modification either in writing, orally, or implied by customary business practices, making the modification enforceable. In accordance with IFRS 15 the Company uses three methods to account for a contract modification:

- (a) as a separate contract when the modification promises distinct goods (according to IFRS 15.27) or services and the price reflects the stand alone selling price;
- (b) as a cumulative catch-up adjustment when the modification does not add distinct goods or services and is part of the same performance obligation. For the Company, as common within the construction sector, modifications mainly relate to variation orders which do not result in additional distinct goods and services and have to be accounted for as cumulative catch-up adjustment. This is the most common method within the Company given the nature of the modifications;
- (c) or as a prospective adjustment when the considerations from the distinct goods or services do not reflect their standalone selling prices.

- **Step 2 'Identify the performance obligations'**

The purpose of this step is to identify all promised goods or services that are included in the contract. Examples of performance obligations are the construction of a highway, railway network the delivery of infrastructure works and so on.

At contract inception, the Company assesses the goods or services promised to a customer, and identifies each promise as either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Promises in a contract can be explicit, or implicit if they create a valid expectation that the Company will provide a good or service based on the Company's customary business practices, published policies or specific statements.

Design and construct contracts in the context of the Company are usually accounted for as one performance obligation because of not meeting criterion IFRS 15.27 (b) The entity's promise to transfer the goods or service to the customer is separately identifiable from other promises in the contract. These promises usually represent a combined output for the customer (the construction) for which the design is the input. However if the purpose of the contract is to deliver a separate

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

design after which the client is also able to contract another construction company, the design is considered to be separately identifiable.

When assets are built at clearly different (unconnected) locations these are generally considered to qualify as separate performance obligations.

Performance obligations with the same characteristics can be bundled into portfolios if the entity reasonably expects that the effects on the financial statements of applying IFRS 15 to the portfolio would not differ materially from applying the standard to all performance obligations individually.

### Onerous contracts

IFRS 15 does not include specific guidance about the accounting for project losses. For the accounting of provisions for onerous contracts, IFRS 15 refers to the guidance relating to provisions in IAS 37. Based on IAS 37, a provision for an onerous contract has to be accounted for on the level of the contract as a whole. This is not necessarily the same as if evaluated on project level, because a contract may include more performance obligations.

The provision for onerous construction contracts only relates to the future loss on the performance to be delivered under the contract. In determining a provision for an onerous contract, the inclusion of variable considerations in the expected economic benefits is based on the same principles as included in step 3 hereafter, including the application of the highly probable constraint for the expected revenue. The provision for onerous contracts is presented separately in the balance sheet.

### Step 3 'Determine the transaction price'

The purpose of this step is to determine the transaction price of the performance obligations promised in the contract. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price can be a fixed amount, a variable consideration or a combination of both.

If the consideration promised includes a variable amount such as an unpriced variation order, a claim, an incentive or a penalty, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. IFRS 15 provides two methods for estimating variable considerations: the sum of probability-weighted amounts in a range of possible consideration amounts or the most likely amount a range of possible consideration amounts. On the level of each performance obligation has to be decided which approach best predicts the amount of the consideration to which the Company will be entitled.

The Company includes a variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved (called the 'constraint').

The Company is often exposed to uncertainties related to variable considerations such as variation orders and contract claims to customers. The measurement of variation orders and claims requires knowledge and judgement by the Company. Based on IFRS 15, the Company interprets variation orders and contract claims as contract modifications for which the consideration is variable.

For the accounting of unpriced variation orders and claims the following elements are assessed:

- (a) determine whether the rights and obligations of the parties to the contract that are created or changed by the variation order or contract claim are enforceable;
- (b) estimate the change to the transaction price for the variation order or contract claim;
- (c) apply the guidance relating to the constraint of the estimate of variable considerations (meaning that it is highly probable that no significant reversal of revenue will occur);
- (d) determine whether the variation order or contract claim should be accounted for on a prospective basis or a cumulative catch-up basis.

For considering the effects of constraining estimates of variable considerations, the Company makes a

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

distinction between claims and variation orders. Variation orders are changes that are clearly instructed by the client creating enforceable rights to payment but for which the price change is not yet determined. Claims however relate to events for which the Company considers to have enforceable rights to a compensation from the client but these are not yet approved by the client. The uncertainty relating to claims is usually higher, because of the absence of an instruction of the client for a change. As a result the risk of a significant reversal of revenue relating to claims is considered to be higher and it might be more difficult to prove that a claim amount meets the IFRS 15 'highly probable' criterion. Please refer to "Judgements and key sources of estimation uncertainty – Revenue Recognition" note for the related criteria.

Other variable considerations might include bonuses and penalties, for which penalties are considered to be negative variable considerations. The same method as described above needs to be applied, including assessing the constraint.

When determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. As a practical expedient the Company does not account for a financing component if the entity expects at contract inception that the period between the delivery of goods or services and the payment is one year or less.

### Step 4 'Allocate the transaction price'

The objective when allocating the transaction price is to allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled

in exchange for transferring the promised goods or services to the customer.

To meet the allocation objective, the Company allocates the total transaction price agreed in the contract (or combination of contracts) as determined in step 3 to the performance obligations identified in step 2. This allocation is based on the relative stand-alone selling price (SSP) of the individual performance obligations.

To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the Company determines the stand-alone selling price at contract inception of the distinct goods or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices.

The estimation method of IFRS 15 that best reflects the stand-alone selling price for design, construction and maintenance projects is the expected cost plus margin approach. This approach requires to forecast its expected costs of satisfying the performance obligation and then add an appropriate margin for that type of project or service. Costs included in the estimation should be consistent with those costs the Company would usually consider in setting standalone selling prices. Both direct and indirect costs are considered. The Company substantiates for example the average margin on bids for similar projects/services on a stand-alone basis (not in combination with other performance obligations).

### Step 5 'Recognise revenue'

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

The Company recognises revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. For each performance obligation identified in the contract, the Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

from the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The Company needs to determine, at contract inception, whether control of a good or service transfers to a customer over time or at a point in time. Revenue is recognised over time if any of the following three criteria are met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

In general, the Company is building on the land of the customer or improving an asset of the customer, which results in creating an asset that the customer controls as the asset is created. This leads to recognising revenue over time. The company uses the 'percentage-of completion method' to determine the appropriate amount to recognise in a given period for a performance obligation. The stage of completion is measured by reference to the contract costs of fulfilling the performance obligation incurred up to the end of the reporting period as a percentage of total expected fulfilment costs under the contract, which is an input measure according to IFRS 15.

Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Payment terms might differ from client to client and country to country, however the Company's standard payment term states 60 days. A contract liability is recognised until the points are redeemed or expired.

When applying a method for measuring progress, the Company excludes the measure of progress of any goods or services for which the entity has not transferred control

to a customer. Examples of costs which have to be excluded from the progress measurement, include uninstalled materials, capitalised cost and costs of inefficiencies.

### Uninstalled materials

If a customer contributes goods or services (for example, materials, equipment or labour) to facilitate the Company's fulfilment of the contract, the Company assesses whether it obtains control of those contributed goods or services. If so, the Company accounts for the contributed goods or services as non-cash consideration received from the customer. This is however rare, since control usually is not transferred to the Company and stays with the customer.

### Capitalised cost

The capitalised contract cost includes cost to obtain the contract, cost to fulfil the contract and set-up cost. The Company recognises capitalised contract cost from the costs incurred to fulfil a contract (for example set-up or mobilisation costs) only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and;
- the costs are expected to be recovered (project result should be sufficient to cover the capitalised contract costs).

Capitalised contract costs shall be amortized over the lifetime of the contract.

### Costs of inefficiencies

The Company does not recognise revenue for costs incurred that are attributable to significant inefficiencies in the Company's performance that were not reflected in the price of the contract since these costs do not contribute to any benefits for the customer. This includes costs of unexpected amounts of wasted materials, labour or other resources that were incurred to satisfy the performance obligation.

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

Not all cost overruns compared to the project budget relate to inefficiencies. Cost overruns that for example relate to price increases, design changes (regardless of whether compensated by the client), inaccuracies in the project budget are not inefficiencies. These expenses still contribute to value to the customer and making progress in the delivery of the project. Inefficiency costs relate to wasted items or work performed, which do not reflect any progress in the satisfaction of the performance obligation nor value to the customer. The costs incurred related to significant inefficiencies are directly charged to the income statement. Consequently, significant inefficiency costs are excluded from the measurement of 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.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 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 Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds (AA) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. 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 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.

### Revenue recognition

The company defines a construction contract as a contract specifically negotiated for the construction of an asset. On the balance sheet, the company reports the net contract position for each (construction) contract as either a contract asset or a contract liability. A contract asset is recognized when the company has a right to consideration in exchange for goods or services



# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. A contract receivable is an amount to be billed for which payment is only a matter of passage of time. A contract liability is recognised when the company has an obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

For further guidelines regarding construction contracts see **note 2** revenue recognition.

### Joint arrangements

Investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations.

A joint arrangement exists where the co-owners have rights to the assets of the arrangement and obligations for the liabilities of the arrangement. An arrangement that is not structured through the formation of a separate company is a joint operation. Contracting projects performed in cooperation with outside contracting companies, with joint and several liability are reported by the company as joint venture. If the arrangement is a separate company, but the majority of the company's production is acquired by the co-owners, then the arrangement is often considered to be a joint operation. If on the other hand, the co-owners of the arrangement only have rights to the net assets of the arrangement, it is a joint venture. Classification of joint arrangement requires consideration of its legal form, the terms agreed by the parties in the contractual arrangement and other circumstances.

### Joint ventures

Joint ventures are joint arrangements whereby the company and other parties that have joint control of the arrangement have rights to the net assets of the joint venture. The parties to the arrangement have

agreed contractually that control is shared and decisions regarding relevant activities require unanimous consent of the parties which have joint control of the joint venture. Investments in joint ventures and associates are initially carried in the balance sheet at cost (including goodwill arising on acquisition) and adjusted by post-acquisition changes in the Group's share of net assets of the joint venture or associate, less any impairment in the value of individual investments. Losses of joint ventures and associates in excess of the Group's interest in those joint ventures and associates are only recognised to the extent that the Group is contractually liable for, or has a constructive obligation to meet, the obligations of the joint ventures and associates. Unrealised gains and losses on transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the relevant joint venture or associate.

### Joint operations

The company proportionately accounts for its share of the income, expenditure assets and liabilities under each relevant heading in the income statement and balance sheet.

### 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:

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

- 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 legal enforcement 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.

### Provision for liabilities

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

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

### Financial instruments

#### Financial Assets – classification

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired or issued. In principle, the financial assets are held in a business model whose objective is to collect contractual cash flows over the lifetime of the instrument. The company's financial assets comprise "other financial assets" "(trade), receivables – net," "contract assets," "contract receivables" and "cash and cash equivalents" in the balance sheet.

The company classifies its financial assets in the classes "debt instruments at amortised costs," financial assets at fair value through profit and loss." Debt instruments at amortised costs are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period which are classified as non-current assets. Debt instruments that do not meet Solely Payments of Principal and Interest (SPPI) criterion (for which the test is performed at instrument level) are classified as other financial assets at fair value through profit or loss.

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement, which is also applicable for net changes in fair value after initial recognition. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are initially measured at the transaction price determined under IFRS 15 (see revenue recognition policy disclosed above).

Debt instruments, other than those initially measured in accordance with IFRS 15, are subsequently carried at amortised cost using the effective interest method and are subject to impairment. The company measures debt instruments at amortised cost if both of the following conditions are met:

- The debt instruments is held with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on

future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### Impairment of financial assets

If the credit risk on a financial asset, not held at fair value through profit or loss, has not increased significantly since initial recognition, the loss allowance for that financial instrument is the 12-month expected credit losses (ECL). If the credit risk on a financial asset has significantly changed since initial recognition, the loss allowance equals the lifetime expected credit losses. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Indications of increase in credit risk for financial assets are if a debtor of a group of debtors:

- Experience significant financial difficulty;
- Are in default or delinquency in interest or principal payments;
- Have increased probability of default;
- Other observable data resulting in increased credit risk.

For all financial assets, not held at fair value through profit or loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, taking into account the value of collateral, if any. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

For trade receivables, contract assets and contract receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

### Financial liabilities

#### Initial recognition and measurement

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

#### Subsequent measurement

The measurement of financial liabilities is as follows:

#### De-recognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

### IFRS 16, 'Leases'

#### Right-of-use asset

The Company recognises right-of-use assets at the

commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing. The estimated useful life of the leased assets are as follows:

Land and buildings	–	1 to 10 years
Plant and machinery	–	1 to 5 years
IT Equipment	–	1 to 5 years
Motor vehicles	–	4 years

The majority of the lease contracts in land and buildings have a useful life up to 5 years.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

For several leases, the Company has renewal/extension options. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use asset recognised. See **note 17**.

### Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, non-lease components related to the leased asset, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the profit and loss.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company has applied judgement to determine the lease term, which significantly affects the amount of right-of-use asset and lease liabilities recognised. See **note 17** right-of-use assets and lease liabilities.

### The Company:

- Has not separated non-lease components from lease components and instead each lease component and any associated non-lease components are accounted for as a single lease component. Variable lease payments such as petrol for cars or variable maintenance fees for buildings are excluded from the measurement of the lease liability;
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics. The Company determined incremental borrowing rates that are currency specific and vary with the length of the contract. The Company has used a more high-level method to determine the incremental borrowing rate. The Company has assessed the impact of the incremental borrowing rate determined using this method on the value of the lease liabilities using a sensitivity analysis. Based upon this analysis, the Company concludes that the impact of using this method to determine the incremental borrowing rate has no material impact on the value of the lease liabilities.

### Lease modifications

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease – e.g. adding or terminating the right to use one or more underlying assets. Lease modifications are accounted for either as separate leases or not separate leases.

The Company accounts for lease modifications as a separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Company shall remeasure the lease liability using a revised discount rate. The adjustment to the lease liability is accounted for against the right of

# Notes to the financial statements

at 31 December 2021

## 2. Significant accounting policies (cont.)

use asset with no profit and loss impact, with the exception of decreases in scope of the lease. In this case, a gain or loss to reflect the partial or full termination is recognised.

### Government grants

Government grants are not recognised until there is a reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as a compensation for expenses or losses already incurred are recognised in the income statement in the period in which they become receivable.

# Notes to the financial statements

at 31 December 2021

## 3. Turnover

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

An analysis of turnover by geographical market is given below:

<b>Geographical area:</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	1,027,582	813,434
Europe (excluding UK)	1,496	1,580
Outside Europe	44,191	28,909
	<b>1,073,269</b>	<b>843,923</b>

## 4. Operating profit

This is stated after charging/(crediting):

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Foreign currency exchange differences	(280)	(144)
Depreciation – owned assets (note 10)	4,701	2,346
Amortisation – non-integrated software (note 9)	-	3
<b>Auditors' remuneration</b>		
audit of the financial statements	356	339
non-audit services	-	-

# Notes to the financial statements

at 31 December 2021

## 5. Directors' remuneration

	2021 £000	2020 £000
Remuneration as executives	778	1,115
Company contributions to defined contribution scheme	-	-
Total emoluments	778	1,115

In 2021 no directors received employer contributions to a defined contribution scheme. (2020 – none).

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

	2021 £000	2020 £000
Emoluments	432	511

## 6. Staff costs

	2021 £000	2020 £000
Wages and salaries	177,745	160,388
Social security costs	19,024	16,885
Other pension costs	16,555	14,600
	213,324	191,873

Included in other pension costs is a defined contribution cost of £16,555k (2020 – £14,600k), see note 19.

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

	2021 No.	2020 No.
Weekly paid staff	813	834
Monthly paid staff	2,405	2,161
	3,218	2,995



# Notes to the financial statements

at 31 December 2021

## 7. Net finance income

	2021 £000	2020 £000
Interest receivable from parent undertaking	57	102
Bank interest receivable	9	101
Other finance income	11	40
Finance income pension (Note 19)	574	706
	<b>651</b>	<b>949</b>
Interest payable to parent undertaking	11	14
Finance lease expense	430	460
	<b>441</b>	<b>474</b>
Net finance income	<b>210</b>	<b>475</b>

# Notes to the financial statements

at 31 December 2021

## 8. Tax

(a) Tax charged in the income statement

	2021 £000	2020 £000
<b>Current income tax:</b>		
UK corporation tax	8,668	2,904
Prior year adjustment	166	977
Total current income tax	8,834	3,881
<b>Deferred taxation:</b>		
Origination and reversal of temporary timing differences	(594)	(82)
Total deferred tax	(594)	(82)
Tax expense in the income statement	8,240	3,799

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

	2021 £000	2020 £000
<b>Current tax:</b>		
Current tax credit on pension scheme	-	-
<b>Deferred taxation:</b>		
Actuarial gains on defined benefit pension plans	4,924	(2,563)
Tax expense / (income) in statement of other comprehensive income	4,924	(2,563)

# Notes to the financial statements

at 31 December 2021

## 8. Tax (cont.)

(c) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2020 – higher than) the rate of corporation tax in the UK of 19% (2020 – 19.00%). The differences are reconciled below:

	2021 £000	2020 £000
Accounting profit before income tax	26,193	11,622
Tax calculated at UK standard rate of corporation tax of 19% (2020 – 19.00%)	4,977	2,208
Expenses not deductible for tax purposes	(124)	6
Depreciation in excess of capital allowances	42	67
Prior year adjustment	166	642
Amount relating to other comprehensive income	297	-
Rate change	2,882	876
Total tax expense reported in the income statement	8,240	3,799

(d) Deferred tax

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

	2021 £000	2020 £000
<b>Deferred tax liability</b>		
Other temporary differences	-	-
Pension and post-employment benefits	(14,007)	(4,796)
	<b>(14,007)</b>	<b>(4,796)</b>
<b>Deferred tax asset</b>		
Accelerated capital allowances	884	1,325
Other temporary differences	1,116	82
	<b>2,000</b>	<b>1,407</b>
<b>Disclosed on the balance sheet</b>		
Deferred tax asset	2,000	1,407
Deferred tax liability	(14,007)	(4,796)
	<b>(12,007)</b>	<b>(3,389)</b>

# Notes to the financial statements

at 31 December 2021

## 8. Tax (cont.)

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.

## 9. Intangible assets

	<b>Non-Integrated Software £000</b>
<b>Cost:</b>	
At 1 January 2021	2,601
Additions	-
At 31 December 2021	2,601
<b>Amortisation:</b>	
At 1 January 2021	2,601
Charged during the year	-
At 31 December 2021	2,601
<b>Net book value:</b>	
At 31 December 2021	-
At 1 January 2021	-

## 10. Tangible assets

	<b>Freehold offices £000</b>	<b>Plant and machinery £000</b>	<b>Fixtures, fittings, tools &amp; equipment £000</b>	<b>Total £000</b>
<b>Cost:</b>				
At 1 January 2021	6,309	21,939	15,403	43,651
Additions	-	6,022	402	6,424
Disposals	-	(1,355)	(9)	(1,364)
At 31 December 2021	6,309	26,606	15,796	48,711
<b>Depreciation:</b>				
At 1 January 2021	3,066	18,060	13,585	34,711
Charged during the year	219	3,577	905	4,701
Disposals	-	(1,355)	-	(1,355)
At 31 December 2021	3,285	20,282	14,490	38,057
<b>Net book value:</b>				
At 31 December 2021	3,024	6,324	1,306	10,654
At 1 January 2021	3,243	3,879	1,818	8,940

# Notes to the financial statements

at 31 December 2021

## 11. Investments – non-current

	2021 £000	2020 £000
Investment in Subsidiaries	15,205	-
Investments in Joint Ventures	1	1
	<b>15,206</b>	<b>1</b>

On 8 September 2021 the company acquired 100% of the share capital of BAM International Australia Pty Limited, a fellow Royal BAM Group company. The consideration was £15,205k (AUD 26,913k).

The Company's subsidiary undertakings at 31 December 2021 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	Dormant
BAM International Australia Pty Limited	Australia	100	Civil Engineering

The registered address for all of the above subsidiary undertakings registered in England is St James House, Knoll Road, Camberley, Surrey, GU15 3XW. The registered address for BAM International Australia Pty Limited is Level 3, 1292 Hay Street, West Perth 6005, Western Australia.

The company has a 50% interest in the following entities, BMM JV Limited, BBIN (SL) Limited and BNS JV Limited, which are accounted for by the Company as joint operations.

The Company's joint venture undertakings at 31 December 2021 were:

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

BAM Offshore Wind bv was incorporated as a limited company in the Netherlands in 2017 as a joint arrangement between the Company and BAM Infra Nederland bc (Joint Venturers). Whereby, the Joint Venturers have joint control of the arrangement and rights to the net assets of the arrangement. The Company accounts for the joint arrangement using cost method. The process of liquidating this company commenced in 2020.

## 12. Stocks

	2021 £000	2020 £000
Raw materials and consumables	1,484	634

# Notes to the financial statements

at 31 December 2021

## 13. Debtors due in less than one year

	2021 £000	2020 £000
Accrued income	1,890	3,398
Trade debtors	83,906	71,804
Amounts owed by parent and fellow group undertakings	191,298	130,960
Income tax receivable	1,229	2,716
Other debtors	21,227	12,530
	299,550	221,408

Amounts owed by parent and fellow group undertakings include £188,694k on deposit with Royal BAM Group (2020 – £125,523k) which is due on demand.

## 14. Contract assets

At 31 December 2021, the Company had contract assets of £86m (2020: £60m), which was net of expected credit loss allowance of £nil (2020: £nil). Contract assets consist of work-in-progress.

## 15. Trade and other payables

	2021 £000	2020 £000
Amounts owed to parent and fellow group undertakings	18,188	16,537
Trade creditors	47,970	34,684
Accruals and deferred income	170,072	134,033
Other taxes and social security costs	29,880	29,252
Lease liabilities	5,532	5,455
Other creditors	11,772	15,852
	283,414	235,813

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

## 16. Contract liabilities

At 31 December 2021, the Company had contract liabilities of £148m (2020: £84m). Contract liabilities consist of billing-in-excess. Revenue recognised in the year from amounts that were included in the contract liabilities at the beginning of the year equals £84m (2020: £41m). Revenue recognised in the year from performance obligations satisfied in previous years equals £nil (2020: £nil).

# Notes to the financial statements

at 31 December 2021

## 17. Leases

### Right of use assets

	Land and buildings £000	Plant and machinery £000	IT Equipment £000	Motor vehicles £000	Total £000
At 1 January 2021	8,266	3,509	125	3,938	15,838
Additions	1,557	943	-	4,567	7,067
Disposals	-	-	-	-	-
Depreciation	(981)	(1,761)	(121)	(2,193)	(5,056)
Re-measurements	(3,136)	-	-	(81)	(3,217)
<b>At 31 December 2021</b>	<b>5,706</b>	<b>2,691</b>	<b>4</b>	<b>6,231</b>	<b>14,632</b>

### Leases

	Land and buildings £000	Plant and machinery £000	IT Equipment £000	Motor vehicles £000	Total £000
At 1 January 2021	8,349	3,714	110	4,034	16,207
Loans granted	1,557	945	-	4,567	7,069
Repayments	(792)	(1,642)	(106)	(2,112)	(4,652)
Re-measurements	(3,189)	-	-	-	(3,189)
<b>At 31 December 2021</b>	<b>5,925</b>	<b>3,017</b>	<b>4</b>	<b>6,489</b>	<b>15,435</b>

The undiscounted future lease payments as included in the lease liabilities are as follows:

	2021 £000	2020 £000
Not later than one year	5,578	5,571
Later than one year and not later than five years	9,380	10,073
Later than five years	910	1,640
	<b>15,868</b>	<b>17,284</b>

### Profit and loss related accounts:

	2021 £000	2020 £000
Depreciation expense of right of use assets	5,056	7,248
Interest expense on lease liabilities	375	401
Rent expense – short term leases	35,947	27,086
Rent expense – lease of low-value assets	-	-
Rent expense – variable lease payments	-	-
	<b>41,378</b>	<b>34,735</b>

# Notes to the financial statements

at 31 December 2021

## 18. Share capital

There are no changes to share capital during the year.

	Authorised 2021 & 2020 £000	Allotted called up & fully paid 2021 & 2020 £000
150,000 3.85% redeemable cumulative preference shares of £1 each	150	-
27,000,000 ordinary shares of £1 each	27,000	27,000
	<b>27,150</b>	<b>27,000</b>

## 19. 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 ceased 31 December 2017 for the calculation of benefits.

The valuation used for FRS 101 disclosures has been based on the most recent triennial actuarial valuation, 31 December 2020, 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. The Company recognises a net defined benefit asset because it is entitled to a return of surplus at the end of the plans' lives.

	2021	2020
<b>Main assumptions:</b>		
Rate of salary increases	n/a	n/a
Rate of increase in pensions in payment (LPI)	3.15%	2.75%
Discount rate	1.80%	1.45%
Inflation assumption	2.70%	2.15%
<b>Post-retirement mortality (in years):</b>		
Current pensioners at 65 - male	22.6	22.8
Current pensioners at 65 - female	23.9	24.5
Future pensioners at 65 - male	24.7	25.1
Future pensioners at 65 - female	26.1	26.7

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%	- £35.9m /+ £41.2m
Post retirement mortality	+/- 1 year	- £16.6m /+ £17.0m



# Notes to the financial statements

at 31 December 2021

## 19. Pensions (cont.)

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

	2021 £000	2020 £000
<b>Scheme assets at fair value</b>		
Equities	42,519	50,786
Bonds	350,050	372,131
Cash and cash equivalents	28,094	3,514
Real Estate	16,080	16,593
Other	12,715	7,872
Fair value of scheme assets	449,458	450,896
Present value of scheme liabilities	(398,786)	(430,492)
Defined benefit pension plan surplus	50,672	20,404

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

	2021 £000	2020 £000
<b>Recognised in the Income Statement</b>		
Administration cost	777	1,314
Past service cost	(216)	(1,691)
Recognised in arriving at operating profit	561	(377)
Net interest on defined benefit asset	(503)	(624)
<b>Taken to the Statement of Comprehensive Income</b>		
Return on plan assets (excluding amounts included in net interest expense)	3,850	42,306
Actuarial changes arising from changes in demographic assumptions	9,931	-
Actuarial changes arising from changes in financial assumptions	(619)	(54,103)
Actuarial changes arising from experience adjustments	14,164	(172)
Recognised in the Statement of Comprehensive Income	27,326	(11,969)

# Notes to the financial statements

at 31 December 2021

## 19. Pensions (cont.)

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

	2021 £000	2020 £000
Defined benefit obligation at end of prior year	430,492	387,972
Past service cost	(216)	(1,691)
Interest on benefit obligation	6,742	7,721
Benefits paid	(14,756)	(17,785)
Actuarial gains and losses	(23,476)	54,275
Defined benefit obligation at end of year	<u>398,786</u>	<u>430,492</u>

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

	2021 £000	2020 £000
Fair value of plan assets at end of prior year	450,896	419,344
Current Service Cost	(777)	(1,314)
Interest income in plan assets	7,245	8,345
Contributions by employer	3,000	-
Contributions by employee	-	-
Benefits paid	(14,756)	(17,785)
Actuarial gains and losses	3,850	42,306
Fair value of plan assets at end of year	<u>449,458</u>	<u>450,896</u>

During the year the company paid special contributions of £3,000k (2020: £nil). No ordinary contributions were made (2020: £nil).

	Contributions in the year		Amounts outstanding	
	2021 £m	2020 £m	2021 £m	2020 £m
Ordinary contribution	-	-	-	-
Special contribution	3,000	-	-	-

The company does not expect to make any contributions in 2022.

# Notes to the financial statements

at 31 December 2021

## 19. Pensions (cont.)

### (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 2020.

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 2021. Scheme assets are stated at their market value at respective balance sheet dates. The Company recognises a net defined benefit asset because it is entitled to a return of surplus at the end of the plans' lives.

	2021	2020
<b>Main assumptions:</b>		
Rate of salary increases	n/a	n/a
Discount rate	1.80%	1.45%
Inflation assumption	2.70%	2.15%
<b>Post-retirement mortality (in years):</b>		
Current pensioners at 65 - male	20.5	20.6
Current pensioners at 65 - female	22.7	22.6
Future pensioners at 65 - male	22.1	22.3
Future pensioners at 65 - female	26.0	26.2

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%	+ £0.9m
Inflation assumption	+ 0.5%	+ £0.8m
Post retirement mortality	+ 1 year	+ £0.4m

# Notes to the financial statements

at 31 December 2021

## 19. Pensions (cont.)

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

	2021 £000	2020 £000
<b>Scheme assets at fair value</b>		
Equities	896	786
Liability Driven Investment Funds	4,330	3,777
Insurance linked securities	689	723
Diversified Growth Funds	1,433	1,584
Multi Asset Credit Funds	4,978	2,388
Cash	3,760	6,207
	16,086	15,465
Present value of scheme liabilities	(10,732)	(10,626)
Defined benefit pension plan surplus	5,354	4,839

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

	2021 £000	2020 £000
<b>Recognised in the Income Statement</b>		
Administration cost	32	46
Recognised in arriving at operating profit	32	46
Net interest on defined benefit asset	(71)	(82)
<b>Taken to the Statement of Comprehensive Income</b>		
Return on plan assets (excluding amounts included in net interest expense)	458	1,044
Actuarial changes arising from changes in demographic assumptions	97	508
Actuarial changes arising from changes in financial assumptions	(191)	(1,048)
Actuarial changes arising from experience adjustments	(211)	202
Recognised in the Statement of Comprehensive Income	153	706

# Notes to the financial statements

at 31 December 2021

## 19. Pensions (cont.)

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

	2021 £000	2020 £000
Defined benefit obligation at end of prior year	10,626	10,484
Interest on benefit obligation	152	216
Administration costs	32	46
Benefits paid	(383)	(458)
Actuarial gains and losses	94	540
Experience (inflation)	211	(202)
	<hr/>	<hr/>
Defined benefit obligation at end of year	10,732	10,626

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

	2021 £000	2020 £000
Fair value of plan assets at end of prior year	15,465	14,258
Interest income in plan assets	223	298
Contributions by employer	323	323
Contributions by employee	-	-
Benefits paid	(383)	(458)
Actuarial gains and losses	458	1,044
	<hr/>	<hr/>
Fair value of plan assets at end of year	16,086	15,465

Regular contributions made by the company during the year amounted to £nil (2020: £nil). In addition, the company made a special contribution of £323,000 (2020: £323,000).

The company expects to make contributions of nil in 2022.

### (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 £16,555,000 (2020 - £14,600,000).

# Notes to the financial statements

at 31 December 2021

## 20. Provision for liabilities

	Claims against company £000	Restructuring £000	Onerous contracts £000	2021 £000	2020 £000
Opening balance at 1 January	100	100	23,022	23,222	7,968
Created during the year	-	-	5,802	5,802	18,122
Utilised during the year	-	(100)	-	(100)	(2,868)
<b>Closing balance at 31 December</b>	<b>100</b>	<b>-</b>	<b>28,824</b>	<b>28,924</b>	<b>23,222</b>

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

## 21. 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 (2020: €400m), with a maturity date of March 2024. The utilisation of this facility as at 31 December 2021 was £nil (2020: fully drawn, fully repaid within the first quarter of 2021). 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 company.
- (d) 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 2021 there were nil (2020: nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2021 was nil (2020: nil). This guarantee is not expected to give rise to any loss.

## 22. 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.

## 23. Government grants

Government grants received in 2021 amounted to £2.2m (2020: £6.1m), of which £2.2m (2020: £1.9m) was related to R&D, and £nil (2020: £4.2m) was related to COVID-19 (via the Government's job retention scheme).

# Notes to the financial statements

at 31 December 2021

## 24. Subsequent events

As referred to in the Strategic Report, in early June 2022 there was a fatality at the Viking Windfarm project site in Shetland. An investigation has commenced into the circumstances of this tragic accident, but it is too early to determine cause or any further consequences for the Company. The Company is providing assistance to the Health and Safety Executive in their investigation.

Subsequent to the balance sheet date, in February 2022, Russia entered into military conflict with Ukraine. Economic sanctions have been taken against Russia, across the globe. This has caused significant geopolitical and economic uncertainties. The Directors have considered whether the impact of this crisis has an impact on the financial statements. While the full impact is not yet clear, the Directors, having made an assessment, do not consider the crisis to have a material impact to the principal risks and uncertainties, significant judgements and estimates or the financial position as reported at 31 December 2021.

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



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