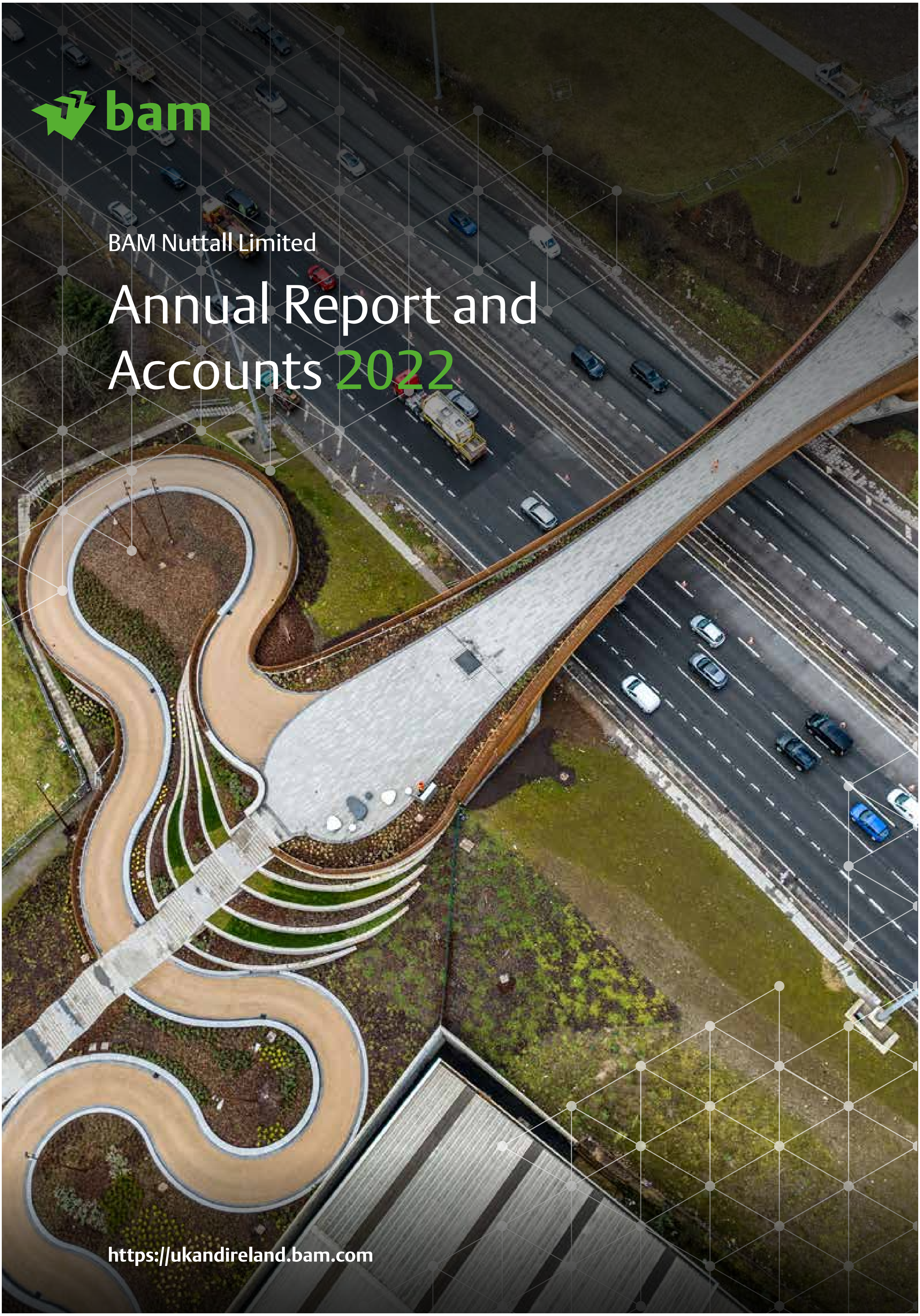
BAM Nuttall Limited

Annual Report and Accounts 2022



https://ukandireland.bam.com

Contents

An overview of our 2022 performance, our future direction, and a review of the strategy underpinning our businesses.

Registered number
305189

Visit our website at:
https://ukandireland.bam.com

We are BAM

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 across our entire value chain by 2050 and to become net zero in our 'direct emissions' by 2026.

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.

Executive Director's foreword

BAM Nuttall's collaborative culture and strong industry relationships have helped increase resilience throughout 2022, so our business delivered its operations safely, profitably, sustainably and predictably, despite the economic challenges, such as high inflation arising from post-COVID recovery, the conflict in Ukraine and managing the change associated with BREXIT.

BAM Nuttall achieved its operational objectives despite challenges faced by individuals and our industry, including; cost of living crisis, demand for materials out-stripping supply, inflationary pressures and the global issue of managing cyber-security.

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

We're optimising synergies across Royal BAM Group through a regional Divisional structure that will de-risk the wider business. We are now part of BAM's UK & Ireland Division. Our number of employees grew by 258 in 2022 (we anticipate recruiting a further 200+ in 2023). 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 2022 revenue forecasts to £1,068m (2021: £1,073m) and profit before tax fell to £4.1m (2021: £26.2m), resulting in a margin of 0.4% (2021: 2.4%), with supply chain issues impacting some projects. We have continued our success for winning future work, closing the year with a £3.0bn order book. We expect to return to a minimum of 2021 levels of profitability in 2023. 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 2022, 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.

Huw Jones
Executive Director, BAM Nuttall Limited
30 June 2023

Strategic report

Organisational overview

BAM Nuttall (the Company) is a wholly owned subsidiary of Royal BAM Group nv (the Group) and is now a Segment within the Group's UK & Ireland Divisional structure. Our purpose is to create sustainable environments that enhance people's lives. We design, construct and maintain civil engineering infrastructure across three Sectors – Transport, Major Projects and Regions and there is a senior leadership team in place to support the Board.

Our Sectors have a Preconstruction and Delivery Service, with Finance, Information Technology and Human Resources providing support. A Business Excellence team supports the three Sectors; supporting knowledge sharing and using strategic drivers including digital construction, innovation and sustainability.

2022 saw the continued implementation and embedment of the UK & Ireland Division; seeing greater collaboration of all Divisional enabling services across the UK & Ireland and more widely across Royal BAM Group, leveraging knowledge sharing and improving efficiency. We will build on this further in 2023.

Aligning with Royal BAM Group's core 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.

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 support the businesses, communities and charities local to our operations.

A key feature of our sustainability strategy is to achieve net zero carbon emissions across our entire value chain by 2050 and to enhance people's lives by creating a positive impact in the communities where we work.

Strategic report

Business performance

Summary of key performance indicators:

Revenue (£m)

£1,068

2022	1,068
2021	1,073
2020	844

Profit before tax (£m)

£4

2022	4
2021	26
2020	12

Year end work in hand (£m)

£2,967

2022	2,967
2021	3,371
2020	3,413

Cash and cash equivalents (£m)

£152

2022	152
2021	147
2020	143

Shareholder's funds at year end (£m)

£140

2022	140
2021	158
2020	122

Working capital at year end (£m)

£131

2022	131
2021	113
2020	109

Our Company continued to perform well in 2022, even with the unprecedented impact of economic challenges caused by post-COVID-19 international growth/investment plans and the conflict in Ukraine. The Company achieved a turnover similar to 2021 although profit before tax was reduced compared to 2021. We generated a profit before tax of £4.1m (2021: £26.2m) on a turnover of £1,068m (2021: £1,073m) producing a net margin of 0.4% (2021: 2.4%), with supply chain issues impacting some projects. Our order book at year-end was £3.0bn. Notwithstanding these ongoing economic challenges, our outlook remains optimistic but cautious. We expect to return to a minimum of 2021 levels of profitability in 2023.

This sustainable 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, provided clear and consistent guidance such as managing uncertainty in price inflation 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 continues to be exploited and allow teams to increase remote working, reschedule and plan work, while still delivering strong results. 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 reputation, 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.

Post-COVID-19

The COVID-19 pandemic had a fundamental impact on the global economy and our industry, but investment in infrastructure by national governments to accelerate growth in the post-COVID period created opportunity and risk. Recovery of support industries to infrastructure caused a supply/demand challenge that increased prices and impacted lead times for materials. There was also an impact on skills: many left the industry during the COVID-19 pandemic and did not return. In 2022 there has been a stabilising of issues directly associated with post-COVID growth which have invariably been subsumed by other factors; such as the conflict in Ukraine.

UK economy risk – Brexit impacts and uncertainty internationally

The impact of the UK's departure from the EU on 31 December 2020 has continued to be 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. The further changes in January and July 2022 were briefed to the wider business as necessary, but the overall impact of BREXIT changes have been minimal.

Despite the volatility in the UK Government's leadership, it remains, certainly for the short term, that the government's plans for infrastructure spend allows us to plan and respond to the market in a more structured manner and reduces the uncertainty for our business, albeit a change in the roads programme has resulted in a reduced medium-term order book forecast.

The conflict in Ukraine has impacted the global markets that we buy our goods in, and the cost of construction materials (particularly steel and cement) have risen sharply along with the cost of fuel. This was exacerbated by the delays in the supply chain, but through careful planning and keeping the business up to date we have been able to manage the impact of these risks within our forecasts.

Emerging health and safety and 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 and the workplace changes caused by the need for working through the COVID-19 pandemic, 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 STEM initiatives, the CITB and the Apprenticeship Levy. We will continue to lobby for further support and improvement to the systems that support them.

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.

Strategic report

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 rigorously 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. This ability has been challenging due to the impact of inflation pressures and supply chain delays due to the conflict in Ukraine, but these have been managed without a material impact on the business. 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 (including e-learning) 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 legislation like, 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 & Ireland Division playing a significant part in this strategy.

The order book remains strong, and we will be applying a conservative approach to 2023 and beyond monitoring the changing UK political landscape resulting from the UK's exit from the EU and the ongoing post-pandemic recovery investment by the government. The directors have put various measures in place to deal with scenarios that may arise.

We are 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 enabling services 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 client focused approach remains at the heart of our ethos: We build and maintain strong and insightful connections with clients across the UK, ensuring we continue to deliver brilliant, low carbon solutions that address their biggest challenges. At the forefront is enhancing the lives of the communities we live and work in, leaving a lasting and positive legacy.

We achieve this by engaging early and understanding our clients' - and their customers' - needs, which provides the opportunity to deliver bespoke, locally focused, progressive and sustainable solutions. Throughout all of this, we incorporate the best of BAM to deliver the right outcomes for all.

Recent industry and government changes continue to reinforce our client-first model, including the ICE's Infrastructure Governance Code, Project 13 and the Construction Playbook. Further supporting this, our portfolio continues to be dominated by collaborative and outcome-focused procurement models.

Client experience is fundamental. Making clients happy while delivering safely, sustainably and beyond their expectations is our simple goal.

Corporate responsibility - ethics and standards

All employees are required to complete Code of Conduct online training, and employees can raise any concerns about unethical activities with their line manager, HR Business Partner or through the Group's anonymous third-party reporting mechanism. Employees and anyone working on our sites can also raise observation cards to report ethical breaches or other concerns.

The BAM Worldwide Safety and Wellbeing Day in 2022 focused on the Five Ways to Wellbeing (connect, be active, take notice, learn and give) and the link to safety. A board game and set of conversation starters were created and all sites and offices were invited to have wellbeing and safety conversations. Feedback was very positive with high levels of engagement, and raised awareness of the support that is available to employees through trained Wellbeing Champions, Company Employee Assistance Programme and online resources.

People

The Board recognise, celebrate and thank our people for the outstanding and unique qualities they bring. The positive, supportive culture created throughout our business sets us apart from our competitors and gives us an advantage in attracting and retaining talent.

All employees have the opportunity to participate in the Glint employee engagement survey, which is confidential and completed on a quarterly basis and gives our people the chance to feedback to the Company their views. All employees can fill in the survey and response rates have increased throughout 2022.

Outcomes of the survey are used to create action plans, and this has led to regular Feedback Friday sessions within each of the business units to improve communications and the sense of belonging which had been highlighted as areas to improve. The engagement score itself remains very high, and there are many positive comments regarding supportive line managers, understanding strategic direction and confidence in the future of the business. Current focus areas for improvement include training line managers to have access to their own Glint data which they can use to feedback to employees and work with them to improve. The Company directly employed 2,684 people on 31 December 2022

Retention was a key issue in 2022, and new exit interview software has been introduced (Last Opinion) to better understand the reasons why people leave the company. This has identified that over 90% of leavers would return in the future, and a similar percentage would recommend us as an employer. The main reasons for leaving are growth and career progression, and this is particularly the case for those in the 25-35 age group. This will lead to a renewed focus on the Perform & Develop process in 2023, increasing awareness of the training and professional development opportunities, and greater encouragement of internal mobility.

Diversity and inclusion

BAM Nuttall is committed to achieving an inclusive culture that supports a diverse workforce, that better reflects society, benefits the business, and enhances people's lives. Aiming to increase the attraction of construction and engineering as an accessible destination for all talent we continued to partner cross industry

Strategic report

organisations including WISE, becoming 'Strategic Partners' in 2020, Building Equality, the Armed Forces Covenant 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 an impressive improvement in the mean average for 2021/22 reporting to 13.4%.

Reflecting BAM's commitment to diversity and inclusion, we have appointed a Divisional Director for UK & Ireland who is working towards our Divisional strategy from which BAM Nuttall will benefit from a clear and targeted strategy created by shared best practice of BAM's businesses and our expert teams. The strategic themes for our approach to inclusion are; Broadening Minds, Inclusion Everyday and Removing Barriers.

In order to hold ourselves accountable, we instructed Equal Approach in 2021 to assess us according to their award-winning Return on Inclusion tool. This tool has provided us with tangible measures and extensive commentary on our approach to inclusion and forms the action plan of today's activities. We will be reassessed in 2023 and are anticipating a higher award.

In 2022, our People and Communication teams have received focused D&I training on their particular disciplines, covering topics that include but are not limited to; inclusive communications, sustainable succession and accessible training and delivery. Our leaders have each received personal coaching to explore and challenge their own approach to inclusion and how their role modelling and storytelling can support positive behavioural change. We will realise much of our ambitions for the strategy in 2023.

Some of our 2022 achievements include;

- New family friendly policy to ensure provisions are accessible to all
- Introduction of Peppy – a support tool for women and family members dealing with menopause
- Introduction of Divisional inclusion networks and appointment of executive sponsors through personal application
- Leadership masterclass piloted for 50+ leaders, and inclusion coaching for BAM Nuttall Board members
- Application of a comprehensive leaver tool which allows us to understand the motivations of our leavers. Also provides insights into demographic trends.

BAM Nuttall have proudly shared and helped to develop our established networks across the UK&I Division so that the Division benefits from the provision of our five inclusion networks.

Our inclusion 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). Our latest network Forces@BAM supports our veteran and reservist employees and families.

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.

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, 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 are pleased our efforts to close our gender pay gap are achieving results, including 6.6% improvement in the mean average to 24.8%.

Strategic report

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).

Enhancing Lives

Our overarching business objective is to engage with communities to enhance people's lives because social impact/return is good for our business. 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 future proof the skills and talent pipeline. We do this in collaboration with our clients and supply chain focusing on local priorities and responding to the needs of local communities. We have highlighted below some of our collective efforts throughout 2022.

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 2022, our project teams with the support of our trained STEM Ambassadors enhanced the lives of nearly 35,000 through STEM engagement activities. In addition, we delivered almost 340 work placements, apprenticeship opportunities and other work-based training programmes through initiatives such an Employment Plan at our Great Yarmouth Third River Crossing project.

We have continued 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. In-house we have continued to promote a network of support for breaking down barriers for access to to the workplace from the whole of society including Ability@BAM which provides additional support to our disabled, neurodiverse and carer role colleagues in advocating for their needs in the workplace.

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. The Victoria North Project team held a local supplier event with a focus on the Social Value requirements of the scheme, by bringing suppliers along on the Social Value journey starting with the pre-contract stages. This event was held at a venue that generates revenue for a local charity and included presentations from another local charity, Yes Manchester, who work with the residents of North Manchester to reduce unemployment and poverty.

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 3,720 days taken. Over the course of the year, volunteering activities conducted by BAM Nuttall employees enhanced 8,395 lives. BAM Nuttall employees have volunteered and fundraised for numerous charities over the year such as:

Mind, Macmillan, Children in Need, Crohn's & Colitis UK, Cancer Research, British Heart Foundation, CALM, Combat Stress and various appeals for Ukraine. Many local ones included Heathrow Special Needs Centre, Leeds Autism Services, Leeds Rhino Foundation, local primary school and includes football/community clubs, local food banks and local mental health services.

BAM Nuttall has engaged with many charities over the course of 2022. In 2022, BAM Nuttall and its employees raised just under £37,165.48 for charities all over the country.

Where relevant, live tenders, adopt the 'Social Value Portal Needs Analysis' to establish the most meaningful social value activities for a local area. This means that successfully awarded projects have a live Social Value

Strategic report

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. During 2022 the following projects used the portal Great Yarmouth Third River Crossing, Leeds Public Transport Investment Programme (LPTIP) and Cross Tay Link Road and we will continue to promote a portal in 2023, for all relevant projects.

During 2022, we became closer to our clients by running further knowledge sharing sessions with the Environment Agency and Network Rail. The Environment Agency are continuing to work in partnership with BAM Nuttall to create a new social value standard by sharing good practice.

Working with BAM Construct UK and through investment with the Construction Pioneers research project with Timewise and Build UK, barriers to flexible working were identified in 2021 and recommendations used to develop our new Flexible Working Policy. The Policy was piloted and implemented during 2021 and has been embedded across the business in 2022 giving any employee access to formal and informal flexible working arrangements.

Our goal is to realise new and emerging revenue streams, because our Social Impact product is something clients want to invest in. They will see the cost savings associated with depending less on expensive consultant organisations, alongside the added value of in-house expertise including retained and shared knowledge. Customers will have confidence in BAM to take accountability - deploying digital tools and smart methods of working to measure and report on progress and outcomes. It's easier than ever to demonstrate value for money and attract further investment.

Working better for safety, health and wellbeing

We focus on four areas for health and safety: 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 Sustainable, Inclusive, Reliable, Ownership and Collaborative are applied to our approach to safety

In 2022, 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 2023, our key objectives are focused on 'putting people to work' including planned versus actual reviews, 'take a minute' briefings and risk assessment training, further developing our behavioural programme using an external provider and continuing the reduction of exposure to silica dust including the addition of an occupational hygienist to our occupational health team.

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 2022, over 500 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 2022 our average Considerate Constructors score was 44, against an industry average of 40.

Our safety performance depends on collaboration and engagement with our supply chain. Our business unit delivery teams and procurement teams stage knowledge sharing conferences, both on and off site, with their supply chain partners. 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.

Strategic report

We regularly update our procedures and guidance and share a seasonal 'Safe Start' briefing across sites. Over 1,400 employees receive their annual health and safety update training remotely, this includes a module on mental health and wellbeing.

Tragically in early June 2022 there was a fatality at the Viking Wind Farm project site in Shetland. Our thoughts remain with our late colleague's family to whom we have provided support throughout. The company has fully co-operated with the HSE in their investigation and will continue to review its health and safety arrangements as part of our ongoing commitment to ensure the health and safety of all those impacted by our work.

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 health advice are offered; which extend to families of employees and suppliers. Over 1,500 employees were monitored by the occupational health team in 2022 as part of the Company's employee health surveillance programme.

2022 saw a comprehensive range of wellbeing webinars delivered across the business, with a mix of internal and external speakers. Topics including creating healthy habits (behavioural insights), Aspergers in the Workplace, supporting Time to Talk day, improving sleep and reducing stress, nutrition and fitness, men's health, skin cancer awareness, suicide awareness and prevention, money matters – BAM Benefits (discount scheme), retirement planning, managing debt, importance of wills, nomination forms (for death in service benefit and pension) and wellbeing support over the Christmas period.

The comprehensive mental health and wellbeing training programme continued through 2022 – with two day MHFA, one day MHFA refresher, e-learning, suicide awareness, menopause and one day manager training, induction provided. Comprehensive menopause support and awareness training was launched, including access to online training, fitness and webinars with one to one support and clinical advice.

The now established BAMathon event saw nearly 1000 people participate in cycling, running, walking and swimming, in small teams, for the month of June. 80 employees participated in the cycle to work scheme.

Several prestigious wellbeing awards were won – Mind Index (Gold), Investors in People Wellbeing (Gold), Investors in People Large Employer Wellbeing Award, Considerate Constructors Award for Mental Health at Leeds Flood Alleviation Scheme. There were also employee nominated awards for Mind – Line Manager Award and a posthumous nomination for Senior Leader Award.

Effectiveness, levels of engagement and feedback on initiatives is gathered through management reports and analysis of demographic information. For example, reasons for declining offers of employment, voluntary resignations, early/ill health retirements, suicide rates, absence rates (including declaration of mental health issues), EAP usage, use of counselling services, permanent health/disability claims, take up of wellbeing activities, participation in organised events and physical activities.

Two Wellbeing and one volunteering day are offered to all employees. Much fund raising was undertaken at site and project level with funds raised for Lighthouse Club charity, Mind and Riding for the Disabled among others.

Work commenced on introducing work related stress risk assessments across the business. This will be trialled then launched across the business in 2023.

Research and development

The Company continued investment in research and development during 2022, progressing initiatives in digital construction, materials technology and robotics to improve productivity and reduce risk in our project delivery.

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.

Strategic report

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.

The exploration of 3D concrete printing as a way of manufacturing infrastructure continued with the deployment of printed assets on the M8 footbridge for Glasgow City Council.

BAM Nuttall continues to be a key influencer and participant in industry bodies through participation in groups such as Institution of Civil Engineers, ENCORD, GIRI, i3P and UK5G as well as providing speakers for various industry events.

The Company is currently delivering the Fuel Coach project, funded by the Department of Business, Energy and Industrial Strategy (BEIS) to identify how it we may drive positive plant operator behaviour reducing fuel consumption on construction sites.

Successful completion of the 5G-AMC2 project as part of the UK Government 5G Create programme with private 5G networks was deployed at Kilsyth and Shetland. Its use has been demonstrated through several cases on the private 5G networks including the agile mobile robot, Spot, from Boston Dynamics. Spot was used in conjunction with surveying equipment from Trimble and operated remotely over the 5G network, a world first, demonstrating potential for improvements in how infrastructure is delivered efficiently.

We continued to engage with UK Research & Innovation (UKRI), through the successful application for collaborative R&D project funding in the area of private 5G networks for construction building upon the knowledge gained on the successful 5G-AMC2 project funded by DCMS.

Sustainability Strategy

Our sustainability strategy ‘Building a sustainable tomorrow’ is developed in conjunction with all Royal BAM Group Operating Companies. The strategy comprises of 6 themes;

- Decarbonisation
- Circularity
- Climate Adaptation
- Biodiversity
- Safety, Health and Inclusion
- Social Value

The strategy is delivered through dedicated Environmental and Social Sustainability enabling services and are linked to select United Nations Sustainable Development Goals (UN SDG’s).

SECR

2022 summary

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 measure our carbon emissions according to the Green House Gas Protocol - Corporate Standard and ISO 14064-1:2018 as part of our Carbon Reduce certification for the management and reduction of greenhouse gas emissions.

BAM Nuttall total reported Scope 1,2 & 3 carbon emissions in 2022 was 106kt resulting in an intensity of 100.2 tCO2e/£m revenue (2021: 113.9). This is a 35% reduction in carbon emissions intensity compared to our 2015 baseline[1]. Our carbon emissions inventory showing 2021 and 2022 data is shown in table 1.

[1] Not corrected for inflation

Strategic report

		2022		2021	
Emissions Source	**Unit of measure**	**tCO2e**	**Quantity**	**tCO2e**	**Quantity**
Company car	Miles	424	2,883,833	456	2,664,457
Gas	kWh	78	428,471	104	565,151
Gas Oil	Ltr	5,742	2,086,320	22,487	8,206,968
HVO (Biodiesel)	Ltr	90.5	2,540,020	41	1,134,939
Diesel	Ltr	17,462	6,828,081	4,835	1,924,586
Petrol	Ltr	142	65,705	165	75,138
Total Scope 1		**23,938**		**28,088**	
Electric Vehicles	Miles	52	679,603	42	355,725
Electricity	kWh	4,678	10,410,925	7,390	13,673,702
Total Scope 2		**4,731**		**7,432**	
Electricity (T&D)	kWh	184	10,410,925	257	13,673,702
Waste	tonnes	1,079	385,435	2,183	638,472
Hotel Stays	Nights	212	19,334	244	17,536
Train Travel	Miles	120	2,096,877	37	640,686
Upstream transportation	n/a	66,214	n/a	73,645	n/a
Air travel	Miles	849	2,389,160	265	797,886
Private Car	Miles	1,259	5,961,481	1,047	4,884,807
Well to Tank for Scope 1&2	N/A	7,483	-	9,024	-
Water	M3	25	58,209	32	76,844
Total Scope 3		**75,424**		**86,734**	
Total Scope 1,2 & 3		**106,093**		**122,254**	

Table 1 – carbon emissions inventory 2022

		2022		2021	
Biogenic Emissions	**Unit of measure**	**tCO2e**	**Quantity**	**tCO2e**	**Quantity**
HVO biodiesel	Ltr	6,274	2,540,020	2,767	1,134,939
Total 'Out of Scopes'		**6,274**		**2,767**	

Table 2 – biogenic carbon emissions inventory 2022

Strategic report

In 2022, the after effects of the Covid-19 pandemic diminished and emissions sources such as business travel have seen an increase in activity. However, due to the rapidly increasing number of electric and hybrid vehicles, resultant emissions within our company car fleet have decreased. Electricity consumption has fallen owing to the Brisbane project completing it's tunnelling activities. Fuel consumption has increased slightly but although emissions from fuel use have reduced owing to the use of the biofuel known as Hydrotreated Vegetable Oil (HVO), which has a significantly lower direct carbon emissions impact. We also continue to implement energy efficiency measures on our construction sites and have invested in hybrid power solutions both through hired services and by equipping our site accommodation with solar panels. The biogenic 'out of scopes' emissions are disclosed separately as shown in table 2 and by definition are not a considered a net contribution to carbon emissions as defined by the GHG protocol.

The following points highlight key areas where we've made carbon emissions reductions;

- We continue to transition from fossil fuels to bio-fuels and have used 2,540,020 of Hydrotreated Vegetable Oil (HVO) – a red diesel alternative with a circa 90% lower intensity. This has resulted in the mitigation of 6.4kt CO2e.
- The effects of the covid-19 pandemic have diminished and as such business travel has increased by 33% compared to 2021. However, the transition towards full electric and hybrid company cars is now 36% which has curtailed emissions from company car use. By 2026 all company cars will have moved to full electric or hybrid.

BAM Nuttall performance in 2022 has contributed to Royal BAM Group maintaining its 'A' listing on the CDP leadership index for the 4th consecutive year and is a key part of the Group's overall sustainability strategy.

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, BAM 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 50% absolute carbon reduction by 2030 against a 2019 baseline.

In addition to the group-level targets, within BAM Nuttall Ltd we have introduced a net zero target pertinent to our direct scope 1, 2 and some selected scope 3 emissions by 2026. Details of this target and others can be found in our carbon reduction plan on our website.

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 already digitised formats to help avoid human error associated with manual processing. We employ a dedicated reporting analyst team who undertake this work which has greatly improved the efficiency and robustness of our reported emissions. We report on a wide variety of emissions sources inclusive of scope 1 & 2 emissions and the sub-set of scope 3 indirect emissions.

In 2022 we have begun aligning our carbon reporting to fulfil the requirements of our parent company, the SECR, Carbon Reduce and PPN06/21. As a result of this, we have included additional scope 3 categories in this years SECR disclosure; Waste, Upstream transportation and well to tank emissions associated with scope 1 and 2 emissions. The scope of our reported emissions will change over time owing to increased reporting requirements and associated disclosures.

As we continue to implement our carbon reduction plan, we anticipate our scope 1 and 2 emissions will continue to fall as we procure a greater percentage of HVO compared to diesel, transition our company vehicle fleet to away from combustion only models and begin utilising electric plant and equipment.

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 1 (page 15) 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'.

Strategic report

From this we can assume the emissions intensity of significant earthworks projects is on average approximately 3x that of 'general civils' projects and they are therefore an obvious focus for emissions reduction solutions. Despite the positive influence of HVO, the key challenge lay in our ability to deliver these type of projects using alternative powered plant entirely such as electric or hydrogen. We continue to work closely with plant manufacturers to stimulate innovation in large construction plant.

Improvements in scope 3 disclosures

We are working towards full disclosure of all Scope 3 emissions in line with Royal BAM Group's incoming sustainability strategy and will include emissions derived from our supply chain and the end-users of our buildings. However, we have already taken several actions contributing to reductions across all scope 3 emissions sources including:

- We continue to proactively work with our supply chain to encourage them to take-up Action Sustainability's carbon reporting tool to assist them in measuring, reporting and reducing their emissions. To date, over 90 of our suppliers are using this tool which will not only benefit our emissions reporting but also that of the wider industry.
- We have successfully deployed low carbon concrete and 3d printed concrete on a number of projects. The most notable was the Dawlish sea wall project which used in excess of 10,000m3 of ultra low carbon concrete and reduced the emissions of the project by over 1,100tCO2e.
- We encouraged our clients to include reduced environmental impact materials with a longer life expectancy in their projects.
- We are beginning to introduce low carbon concretes as part of permanent works and expect to implement PAS2080 as soon as the new standard is published. (expected in 2023).
- We implemented an incentive payment given to drivers of privately owned vehicles whereby their car allowance is increased by 20% should they opt to purchase or lease a fully electric vehicle.

Employee involvement

As reported in the Strategic Report (see pages 3 - 19) 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 a series of regular virtual team briefings and Q&A sessions.

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;

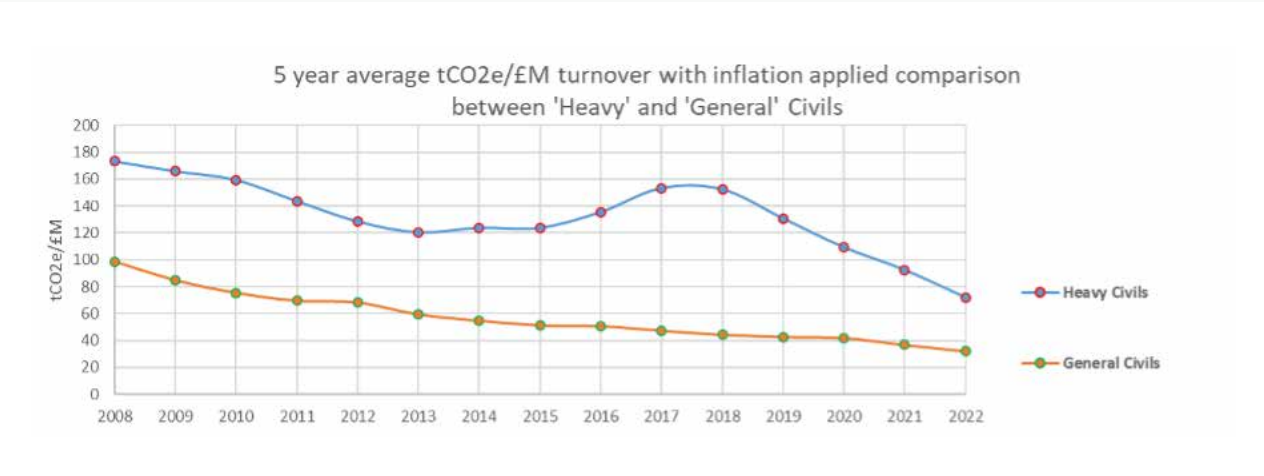


Figure 1– long term emissions intensity trend split for 'heavy' and 'general' projects 2008 - 2022

Strategic report

(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, shareholder 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, Company, Division 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 Division's and 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 to19.

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 health & safety tours, 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, development programmes and local communication events. Despite the end of COVID-19 restrictions, the Director and employee engagement that had been retained through several channels such as Microsoft Teams, allowing employees the opportunity to ask questions directly and receive answers, have continued in addition to 'in person' meetings to maximise the numbers that can be engaged with an event .

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 parts of the Royal BAM Group and joint venture partners.

As our order book remains strong, we will be applying an optimistic but cautious approach to forecasting throughout 2023 and beyond due to the ongoing conflict in Ukraine. The Directors are also monitoring the changes in the UK's legislative and political landscape resulting from the UK's exit from the EU. Our industry remains reasonably secure in the short term, but the future impact of higher inflation and interest rates on issues such as access to labour, services and imports will need to be monitored. The Directors have put measures in place to deal with various scenarios that may arise.

Strategic report

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: www.mccg.nl/?page=4738

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

The Dutch Code is a well-established and robust code which is applied on a 'comply or explain' basis 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.

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 sustainable 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:

Strategic report

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

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.
2.4.7	The Company has monthly and quarterly reporting from operational business units and support Departments including quarterly team meetings.

Culture

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

Misconduct and irregularities

2.6 & 2.6.1	We operate the Speak Up procedure established by Group which is published on the Group's company homepage and on BAM Nuttall's intranet

Strategic report

Preventing conflicts of interest

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

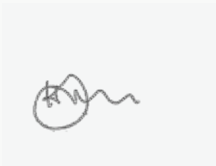
One tier governance structure

5.1	The Company acts with a one tier governance structure without the use of non-executive Directors.
5.1.1	In the absence of non-executive Directors, a Royal BAM Group Director, who is governed by the Dutch Code, chairs 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 Governance and Compliance 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



Huw Jones
Executive Director
30 June 2023

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2022.

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 business units, 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 2024.

The Company has net current assets of £131m and net assets of £140m. The Company meets its day –to-day working capital requirements through the cash held at year end of £152m, and through access to its other cash pooling balances held with Royal BAM Group and JV and project banks. 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.

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 2024.

The Directors have prepared base case and severe but plausible downside financial forecasts for the review period until 30 June 2024. 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 2024. 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 2024. 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 - 19) 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 communication by the Board through a series of webinars.

Directors' report

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 £9,000,000 during the year (2021: £4,000,000).

Results

The results of the Company are set out on page 27.

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 2022 and up to the date of this report are as follows:

- I G Phillpot
- I M Parish (resigned 16 January 2023)
- H Jones (appointed 16 January 2023)

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 (2021: £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 Directors' aim is 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: the conflict in Ukraine 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 2023. This approach is in addition to the Directors' continued monitioring of the changing legislative and political landscape in the UK particularly related to the UK's exit from the EU at the end of 2020. Our industry remains reasonably secure in the short term, but the future impact of higher inflation and interest rates on issues such as access to labour, services and imports will need to be monitored. The Directors have put measures in place to deal with various scenarios that may arise.

Huw Jones
Executive Director
30 June 2023

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 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23, 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 2022 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 2024 (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 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 letters 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, considering various financing sensitivities and assessing the impact of the ultimate parent's contingent liabilities.

Independent auditor's report

- We reviewed 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 2024.

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 this gives rise to 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.

Independent auditor's report

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 the Companies Act 2006, Bribery Act 2010, Construction Act 2009, Minimum Wage regulations 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 enquiries of management and those responsible for legal and compliance procedures, including the Board of Directors. We corroborated our enquiries through our review of board minutes, compliance issue reported, and correspondence received from regulatory bodies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts 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.

Independent auditor's report

- 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 a review 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, enquiries of management, journal entry review, correspondence received from Company's external and internal legal counsel and regulatory bodies and inquiries made to internal and external legal counsel.
- In relation to the Dutch regulatory investigation referred to in Note 20 we reviewed management's assessment of any related exposure to the Company and conducted our own procedures including with the use of forensic specialists.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor London
30 June 2023

Statement of comprehensive income

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Revenue	3	**1,068,467**	1,073,269
Costs and expenses		**(1,066,873)**	(1,047,375)
Operating profit	4	**1,594**	25,894
Other income	22	**-**	-
Profit on disposal of fixed assets		**363**	89
Finance income	7	**2,565**	651
Finance expense	7	**(408)**	(441)
Profit before taxation		**4,114**	26,193
Income tax credit/(charge)	8	**600**	(8,240)
Profit for the year		**4,714**	17,953
Other comprehensive income / (expense):			
Actuarial (losses)/gains on defined benefit pension plans	18	**(17,954)**	27,479
Income tax relating to components of other comprehensive income	8	**4,489**	(4,924)
Other comprehensive (expense)/income for the year, net of tax		**(13,465)**	22,555
Total comprehensive (expense)/income for the year		**(8,751)**	40,508

All amounts relate to continuing operations

Balance sheet

at 31 December 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Tangible assets	9	**18,741**	10,654
Right of use assets	16	**11,783**	14,632
Investments	10	**15,205**	15,206
Defined benefit pension plan asset	18	**38,404**	56,026
Deferred tax asset	8	**2,028**	2,000
		86,161	98,518
Current assets			
Stocks	11	**5,979**	1,484
Debtors due in less than one year	12	**313,438**	299,550
Debtors due in more than one year		**11,261**	9,726
Amounts due from customers under construction contracts (contract assets)	13	**75,049**	86,163
Cash at bank and in hand		**152,472**	147,346
		558,199	544,269
Current liabilities: amounts falling due within one year			
Trade and other payables	14	**(264,667)**	(283,414)
Amounts due to customers under construction contracts (contract liabilities)	15	**(162,343)**	(148,315)
		(427,010)	(431,729)
Net current assets		**131,189**	112,540
Total assets less current liabilities		**217,350**	211,058
Creditors: amounts falling due after one year			
Lease liabilities	16	**(7,367)**	(9,903)
Deferred tax liability	8	**(12,316)**	(14,007)
Provisions for liabilities	19	**(57,194)**	(28,924)
		(76,877)	(52,834)
Net assets		**140,473**	158,224
Capital and reserves			
Called up share capital	17	**27,000**	27,000
Profit and loss account		**113,473**	131,224
Equity shareholders' funds		**140,473**	158,224

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

H Jones
Executive Director
30 June 2023

Statement of changes in equity

at 31 December 2022

	Share Capital £000	Retained Earnings £000	Total Equity £000
As at 1 January 2021	**27,000**	**94,716**	**121,716**
Profit for the year	-	**17,953**	17,953
Other comprehensive income	-	**22,555**	22,555
Total comprehensive income for the year	-	**40,508**	40,508
Equity dividends paid	-	**(4,000)**	(4,000)
At 31 December 2021	**27,000**	**131,224**	**158,224**
Profit for the year	-	**4,714**	4,714
Other comprehensive income	-	**(13,465)**	(13,465)
	-	**(8,751)**	(8,751)
Total comprehensive income for the year			
Equity dividends paid	-	**(9,000)**	(9,000)
At 31 December 2022	**27,000**	**113,473**	**140,473**

Notes to the financial statements

at 31 December 2022

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 2022 were authorised for issue by the Board of Directors on 30 June 2023 and the balance sheet was signed on the Board's behalf by H Jones. 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 2024.

The Company has net current assets of £131m and net assets of £140m. The Company meets its day-to-day working capital requirements through the cash held at year end of £152m, 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 June 2024.

The Directors have prepared base case and severe but plausible downside financial forecasts for the review period until 30 June 2024. 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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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 2024. The Directors have assessed the ability of 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 2024. 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 2022.

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 FRS 101:

(a) The requirements of paragraphs 45 (b) and 46-52 of IFRS 2 Share-based Payment, because the share based payment arrangement concerns the instruments of another group entity;

(b) The requirements of paragraphs 62, B64 (d), B64 (e), B64 (g), B64 (h), B64 (j) to B64 (m), B64 (n)(ii), B64 (o)(ii), B64 (p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations;

(c) The requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;

(d) The requirements of IFRS 7 Financial Instruments: Disclosures;

(e) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

(f) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: i) paragraph 79 (a)(iv) of IAS 1; ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment; and iii) paragraph 118 (e) of IAS 38 Intangible Assets;

(g) The requirements of paragraphs 10 (d), 10 (f), 39 (c) and 134-136 of IAS 1 Presentation of Financial Statements;

(h) The requirements of IAS 7 Statement of Cash Flows;

(i) The requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(j) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

(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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

The following standards, interpretations and amendments to existing standards became effective on 1 January 2022 and have not had a material impact on the company:

- Amendments to IFRS 3 Business Combinations, effective from 1 January 2022;
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use effective from 1 January 2022;
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract effective from 1 January 2022; and
- Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle effective from 1 January 2022.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 January 2022. These either have been, or are expected to be endorsed by the UK Endorsement Board and are not expected to have a material impact on the company:

- IFRS 17 Insurance Contracts, effective from 1 January 2023; – Amendments to IAS 1: Presentation of Financial Statements, effective from 1 January 2023;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies, effective from 1 January 2023; – Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, effective from 1 January 2023;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; and
- Amendments to IAS 12: Income Taxes, effective from 1 January 2023. BAE Systems plc Annual Report 2022

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 2021 financial statements.

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 reforecast 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 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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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 probably 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.

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.

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 variation 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 18.

Principal accounting polices

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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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 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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

Construction contracts

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 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 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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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 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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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 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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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.

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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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 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 contacts see note 2 revenue recognition.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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, tax is also recognised in other comprehensive income respectively directly in equity.

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

(b) Deferred tax

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

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

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

- 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 2022

2. Significant accounting policies (continued)

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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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).

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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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. 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 16.

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.

Notes to the financial statements

at 31 December 2022

2. Significant accounting policies (continued)

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 16 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 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 2022

3. Turnover

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

An analysis of turnover by geographical market is given below:

	2022 £000	2021 £000
Geographical area:		
United Kingdom	**1,032,120**	1,027,582
Europe (excluding UK)	**1,870**	1,496
Outside Europe	**34,477**	44,191
	1,068,467	1,073,269

4. Operating profit

This is stated after charging/(crediting):	2022 £000	2021 £000
Foreign currency exchange differences	**158**	(280)
Depreciation – owned assets (note 9)	**5,551**	4,701
Auditors' remuneration:		
Audit of the financial statements	**422**	356
Non-audit services	**-**	-

Notes to the financial statements

at 31 December 2022

5. Directors' remuneration

	2022 £000	2021 £000
Remuneration as executives	**718**	778
Company contributions to defined contribution scheme	**-**	-
Total emoluments	**718**	778

In 2022 no directors received employer contributions to a defined contribution scheme. (2021 – none).

The amounts in respect of the highest paid director are as follows:	2022 £000	2021 £000
Emoluments	**420**	432

6. Staff costs

	2022 £000	2021 £000
Wages and salaries	**196,508**	177,745
Social security costs	**22,299**	19,024
Other pension costs	**19,407**	16,555
	238,214	213,324

Included in other pension costs is a defined contribution cost of £19,407k (2021 – £16,555k), see note 18.

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

	2022 No.	2021 No.
Weekly paid staff	**801**	813
Monthly paid staff	**2,675**	2,405
	3,476	3,218

Notes to the financial statements

at 31 December 2022

7. Net finance income

	2022 £000	2021 £000
Interest receivable from parent undertaking	**1,446**	57
Bank interest receivable	**111**	9
Other finance income	**5**	11
Finance income pension (note 18)	**1,003**	574
	2,565	651
Interest payable to parent undertaking	**13**	11
Finance lease expense	**395**	430
	408	441
Net finance income	**2,157**	210

Notes to the financial statements

at 31 December 2022

8. Tax

(a) Tax charged in the income statement

	2022 £000	2021 £000
Current income tax:		
UK corporation tax	**(2,084)**	8,668
Prior year adjustment	**(1,114)**	166
Total current income tax	**(3,198)**	8,834
Deferred taxation:		
Origination and reversal of temporary timing differences	**2,598**	(594)
Total deferred tax	**2,598**	(594)
Tax (income)/expense in the income statement	**(600)**	8,240

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

	2022 £000	2021 £000
Current tax:		
Current tax credit on pension scheme	**-**	-
Deferred taxation:		
Actuarial gains on defined benefit pension plans	**(4,489)**	4,924
Tax (income)/expense in statement of other comprehensive income	**(4,489)**	4,924

Notes to the financial statements

at 31 December 2022

8. Tax (continued)

(c) Factors affecting current tax charge
The tax assessed on the profit on ordinary activities for the year is lower than (2021 – higher than) the rate of corporation tax in the UK of 19% (2021 – 19%). The differences are reconciled below:

	2022 £000	2021 £000
Accounting profit before income tax	**4,114**	26,193
Tax calculated at UK standard rate of corporation tax of 19% (2021 – 19%)	**782**	4,977
Expenses not deductible for tax purposes	**14**	(124)
Depreciation in excess of capital allowances	**(753)**	42
Prior year adjustment	**(1,114)**	166
Non-taxable income	**(172)**	-
Amount relating to other comprehensive income	**-**	297
Rate change	**643**	2,882
Total tax (income)/expense reported in the income statement	**(600)**	8,240

(d) Deferred tax
The deferred tax liability included in the balance sheet is as follows:

	2022 £000	2021 £000
Deferred tax liability		
Other temporary differences	**(2,715)**	-
Pension and post-employment benefits	**(9,601)**	(14,007)
	(12,316)	**(14,007)**
Deferred tax asset		
Accelerated capital allowances	**-**	884
Other temporary differences	**2,028**	1,116
	2,028	**2,000**
Disclosed on the balance sheet		
Deferred tax asset	**2,028**	2,000
Deferred tax liability	**(12,316)**	(14,007)
	(10,288)	**(12,007)**

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.

Notes to the financial statements

at 31 December 2022

9. Tangible assets

	Freehold offices £000	Plant and machinery £000	Fixtures, fittings, tools & equipment £000	Total £000
Cost:				
At 1 January 2022	6,309	26,606	15,796	48,711
Additions	-	12,210	2,217	14,427
Disposals	-	(5,747)	-	(5,747)
FX	-	164	-	164
At 31 December 2022	6,309	33,233	18,013	57,555
Depreciation:				
At 1 January 2022	3,285	20,282	14,490	38,057
Charged during the year	219	4,506	826	5,551
Disposals	-	(4,929)	1	(4,928)
FX		134	-	134
At 31 December 2022	**3,504**	**19,993**	**15,317**	**38,814**
Net book value:				
At 31 December 2022	**2,805**	**13,240**	**2,696**	**18,741**
At 1 January 2022	3,024	6,324	1,306	10,654

Notes to the financial statements

at 31 December 2022

10. Investments – non-current

	2022 £000	2021 £000
Investment in Subsidiaries	**15,205**	15,205
Investments in Joint Ventures	-	1
	15,205	15,206

On 1 January 2021 the company acquired 100% of the share capital of BAM International Australia Pty, a fellow Royal BAM Group nv company. The consideration was £15,205k (AUD 26,913k).

The company's subsidiary undertakings at 31 December 2022 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 completed in 2022.

11. Stocks

	2022 £000	2021 £000
Raw materials and consumables	**5,979**	1,484

Notes to the financial statements

at 31 December 2022

12. Debtors due in less than one year

	2022 £000	2021 £000
Accrued income	-	1,890
Trade debtors	**82,320**	83,906
Amounts owed by parent and fellow group undertakings	**180,691**	191,298
Income tax receivable	**8,643**	1,229
Other debtors	**41,784**	21,227
	313,438	299,550

Amounts owed by parent and fellow group undertakings include £174,091k on deposit with Royal BAM Group (2021: £188,694k) which is due on demand.

13. Contract assets

At 31 December 2022, the Company had contract assets of £75m (2021: £86m), which was net of expected credit loss allowance of £nil (2021: £nil). Contract assets consist of work-in-progress.

14. Trade and other payables

	2022 £000	2021 £000
Amounts owed to parent and fellow group undertakings	**18,945**	18,188
Trade creditors	**54,090**	47,970
Accruals and deferred income	**155,161**	170,072
Other taxes and social security costs	**22,829**	29,880
Lease liabilities	**5,153**	5,532
Other creditors	**8,489**	11,772
	264,667	283,414

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

15. Contract liabilities

At 31 December 2022, the Company had contract liabilities of £162m (2021: £148m). 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 £148m (2021: £84m). Revenue recognised in the year from performance obligations satisfied in previous years equals £nil (2021: £nil).

Notes to the financial statements

at 31 December 2022

16. Leases

Right of use assets

	Land and buildings £000	Plant and machinery £000	IT Equipment £000	Motor vehicles £000	Total £000
At 1 January 2022	5,706	2,691	4	6,231	14,632
Additions	763	-	55	2,491	3,309
Disposals	-	(178)	-	-	(178)
Depreciation	(1,135)	(1,144)	(42)	(2,685)	(5,006)
Re-measurements	(559)	(307)	24	(132)	(974)
At 31 December 2022	**4,775**	**1,062**	**41**	**5,905**	**11,783**

Leases

	Land and buildings £000	Plant and machinery £000	IT Equipment £000	Motor vehicles £000	Total £000
At 1 January 2022	5,925	3,017	4	6,489	15,435
Loans granted	763	-	55	2,491	3,309
Repayments	(1,053)	(1,284)	-	(3,023)	(5,360)
Re-measurements	(554)	(240)	-	(70)	(864)
At 31 December 2022	**5,081**	**1,493**	**59**	**5,887**	**12,520**

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

	2022 £000	2021 £000
Not later than one year	**5,275**	5,578
Later than one year and not later than five years	**7,548**	9,380
Later than five years	**439**	910
	13,262	15,868

Profit and loss related accounts:

	2022 £000	2021 £000
Depreciation expense of right of use assets	**5,006**	5,056
Interest expense on lease liabilities	**393**	375
Rent expense – short term leases	**38,603**	35,947
Rent expense – lease of low-value assets	**-**	-
Rent expense – variable lease payments	**-**	-
	44,002	41,378

Notes to the financial statements

at 31 December 2022

17. Share capital

There are no changes to share capital during the year.

	Authorised 2022 & 2021 £000	Allotted called up & fully paid 2022 & 2021 £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
	27,150	**27,000**

18. 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.

	2022	2021
Main assumptions:		
Rate of salary increases	**n/a**	n/a
Rate of increase in pensions in payment (LPI)	**2.85%**	3.15%
Discount rate	**5.00%**	1.80%
Inflation assumption	**2.45%**	2.70%
Post-retirement mortality (in years):		
Current pensioners at 65 - male	**22.7**	22.6
Current pensioners at 65 - female	**23.9**	23.9
Future pensioners at 65 - male	**24.8**	24.7
Future pensioners at 65 - female	**26.2**	26.1

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	+/- 0.5%	- £15.7m / + £-17.5m
Post retirement mortality	+/- 1 year	- £8.0m / + £8.1m

Notes to the financial statements

at 31 December 2022

18. Pensions (continued)

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

	2022 £000	2021 £000
Scheme assets at fair value		
Equities	**19,383**	42,519
Bonds	**234,003**	350,050
Cash and cash equivalents	**4,131**	28,094
Real Estate	**9,144**	16,080
Other	**7,902**	12,715
Fair value of scheme assets	**274,563**	449,458
Present value of scheme liabilities	**(240,180)**	(398,786)
Defined benefit pension plan surplus	**34,383**	50,672

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

	2022 £000	2021 £000
Recognised in the Income Statement		
Administration cost	**611**	777
Past service cost	**-**	(216)
Recognised in arriving at operating profit	**611**	561
Net interest on defined benefit asset	**(907)**	(503)
Taken to the Statement of Comprehensive Income		
Return on plan assets (excluding amounts included in net interest expense)	**(171,172)**	3,850
Actuarial changes arising from changes in demographic assumptions	**-**	9,931
Actuarial changes arising from changes in financial assumptions	**171,063**	(619)
Actuarial changes arising from experience adjustments	**(16,476)**	14,164
Recognised in the Statement of Comprehensive Income	**(16,585)**	27,326

Notes to the financial statements

at 31 December 2022

18. Pensions (continued)

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

	2022 £000	2021 £000
Defined benefit obligation at end of prior year	**398,786**	430,492
Past service cost	**-**	(216)
Interest on benefit obligation	**7,078**	6,742
Benefits paid	**(11,097)**	(14,756)
Actuarial gains and losses	**(154,587)**	(23,476)
Defined benefit obligation at end of year	**240,180**	398,786

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

	2022 £000	2021 £000
Fair value of plan assets at end of prior year	**449,458**	450,896
Current Service Cost	**(611)**	(777)
Interest income in plan assets	**7,985**	7,245
Contributions by employer	**-**	3,000
Contributions by employee	**-**	-
Benefits paid	**(11,097)**	(14,756)
Actuarial gains and losses	**(171,172)**	3,850
Fair value of plan assets at end of year	**274,563**	449,458

During the year the company paid special contributions of £3,000k (2021: £300k). No ordinary contributions were made (2021: £nil).

	Contributions in the year		Amounts outstanding	
	2022 £m	2021 £m	2022 £m	2021 £m
Ordinary contribution	-	-	-	-
Special contribution	-	3,000	-	-
	-	3,000	-	-

The company does not expect to make any contributions in 2023.

Notes to the financial statements

at 31 December 2022

18. Pensions (continued)

(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.

	2022	2021
Main assumptions:		
Rate of salary increases	**n/a**	n/a
Discount rate	**5.00%**	1.80%
Inflation assumption	**2.45%**	2.70%
Post-retirement mortality (in years):		
Current pensioners at 65 - male	**20.7**	20.5
Current pensioners at 65 - female	**22.9**	22.7
Future pensioners at 65 - male	**22.2**	22.1
Future pensioners at 65 - female	**26.1**	26.0

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%	+ £0.4m
Inflation assumption	+ 0.5%	+ £0.4m
Post retirement mortality	+ 1 year	+ £0.3m

Notes to the financial statements

at 31 December 2022

18. Pensions (continued)

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

	2022 £000	2021 £000
Scheme assets at fair value		
Equities	**456**	896
Liability Driven Investment Funds	**4,668**	4,330
Insurance linked securities	**755**	689
Diversified Growth Funds	**1,143**	1,433
Multi Asset Credit Funds	**974**	4,978
Cash	**3,281**	3,760
Fair value of scheme assets	**11,277**	16,086
Present value of scheme liabilities	**(7,256)**	(10,732)
Defined benefit pension plan surplus	**4,021**	5,354

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

	2022 £000	2021 £000
Recognised in the Income Statement		
Administration cost	**87**	32
Recognised in arriving at operating profit	**87**	32
Net interest on defined benefit asset	**(96)**	(71)
Taken to the Statement of Comprehensive Income		
Return on plan assets (excluding amounts included in net interest expense)	**(4,654)**	458
Actuarial changes arising from changes in demographic assumptions	**-**	97
Actuarial changes arising from changes in financial assumptions	**3,966**	(191)
Actuarial changes arising from experience adjustments	**(681)**	(211)
Recognised in the Statement of Comprehensive Income	**(1,369)**	153

Notes to the financial statements

at 31 December 2022

18. Pensions (continued)

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

	2022 £000	2021 £000
Defined benefit obligation at end of prior year	**10,732**	10,626
Interest on benefit obligation	**189**	152
Administration costs	**87**	32
Benefits paid	**(467)**	(383)
Actuarial gains and losses	**(3,966)**	94
Experience (inflation)	**681**	211
Defined benefit obligation at end of year	**7,256**	10,732

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

	2022 £000	2021 £000
Fair value of plan assets at end of prior year	**16,086**	15,465
Interest income in plan assets	**285**	223
Contributions by employer	**27**	323
Contributions by employee	**-**	-
Benefits paid	**(467)**	(383)
Actuarial gains and losses	**(4,654)**	458
Fair value of plan assets at end of year	**11,277**	16,086

Regular contributions made by the company during the year amounted to £nil (2021: £nil). In addition, the company made a special contribution of £27,000 (2021: £323,000).

The company expects to make contributions of nil in 2023.

(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 £19,407,000 (2021 - £16,555,000).

Notes to the financial statements

at 31 December 2022

19. Provision for liabilities

	Claims against company	Onerous contracts	2022	2021
	£000	**£000**	**£000**	**£000**
Opening balance at 1 January	100	28,824	**28,924**	23,222
Created during the year	-	28,270	**28,270**	5,802
Utilised during the year	-	-	**-**	(100)
Closing balance at 31 December	100	57,094	**57,194**	28,924

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

20. Contingent liabilities

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

(b) During the year the Royal BAM Group n.v. renewed the revolving credit facility to a value of €330m (2021: €360m) to which BAM Nuttall Limited and other Group entities, is a guarantor. 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 ABN AMRO Bank n.v. At 31 December 2022 there were nil (2021: nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2022 was nil (2021: nil). This guarantee is not expected to give rise to any loss.

(e) The Dutch Fiscal Information and Investigation Service (FIOD) and the Dutch Public Prosecutions Office (Openbaar Ministerie) have informed BAM International (a company within Royal BAM Group n.v.) that it is the subject of an investigation into suspicions relating to potential fraud and corruption at some already completed projects. The timing and possible outcome of the investigation are uncertain. Therefore, the potential adverse financial impact of the outcome of the investigation, if any, cannot be reliably estimated at this time but could possibly be material on Royal BAM Group n.v.

Royal BAM Group n.v. is fully cooperating with the investigation and taking appropriate steps in connection with the investigation, including an internal review of the relevant projects. In July 2020, BAM announced its intention to wind down BAM International. Meanwhile all projects of BAM International have been completed.

It is noted that BAM Nuttall Limited historically worked with BAM International on a small number of International projects. The directors of BAM Nuttall Limited do not believe there is any material, if any, impact on BAM Nuttall Limited.

Notes to the financial statements

at 31 December 2022

21. 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.

22. Government grants

Government grants received in 2022 amounted to £3.6m (2021: £2.2m), of which £3.6m (2021: £2.2m) was related to R&D.

23. Subsequent events

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

Registered office
St James House
Knoll Road
Camberley
GU15 3XW

T: +44 (0)1276 63484
F: +44 (0) 1276 66060

Registered number: 305189

https://ukandireland.bam.com

1430/01/2023