Making Possible

BAM Properties Limited

Annual Report and Accounts 2023

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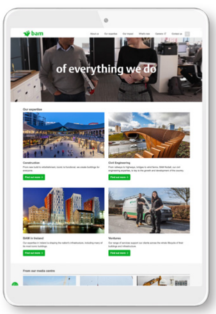
Contents

An overview of our 2023 performance, our future direction, and a review of the strategy underpinning our businesses.



Visit our website at:
ukandireland.bam.com

Registered number
3283033

We are BAM

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

BAM Construct & Ventures UK Ltd operates throughout England, Scotland and Wales and engages in property development, design, services engineering, construction and facilities management services. We have 15 offices around the country to enable us to offer an integrated service that operates close to local markets and our customers.

We contribute to BAM Construct & Ventures UK's goal of being a high-performing, collaborative design, construction, property and FM services provider, by partnering with our clients and supply chain and forging strong, strategic alliances that create value and win repeat business.

Strategic report

The Directors present their Strategic Report for the year ended 31 December 2023, which reports on BAM Properties strategy and financial results, the progress of its operating companies and performance on sustainability.

Group Strategic Report

BAM Properties continues to be influenced by several key economic factors. Interest rates set by the Bank of England play a crucial role, as higher rates continue to deter buyers due to increased financing costs. Whilst inflation has fallen significantly over the period, it remains over the Bank of England target of 2% so continues to impact real wage growth and costs generally, with a negative impact on liquidity and yields. In contrast, the overall economic climate, including GDP growth, boosts confidence and purchasing power, supporting property price appreciation. Government policies, such as changes in stamp duty and tax reliefs, are also impacting business confidence and the overall property investment market across the UK. These factors collectively shape the dynamics of the UK property market, influencing both domestic and international investment decisions.

During 2023 the Group sold the Capital Square office development in Edinburgh to the JV partner Hermes. The development which provided circa 120,000 sq ft of Grade A office accommodation was approximately 95% let.

The Atlantic Square development in Glasgow which achieved practical completion in August 2021 and comprises circa 100,000sq ft of office development is in in joint venture with Taylor Clark. The current tenant list is of a very high quality and includes BDO LLP, Burness Paull LLP and Siemens Mobility Limited. The company continues to actively pursue letting opportunities for the 2 remaining office floors and the ground floor restaurant unit. A reception refurbishment was undertaken towards the end of the year.

BAM Properties also retains a commercial development site called Latitude in Leeds (for circa 155,000sq ft of future office development) the design for which is ongoing in 2023 and continues to evaluate opportunities for the development of its other sites at Glory Mill, High Wycombe and Site 3 at Atlantic Square, Glasgow.

At the end of the year the Group had office and retail projects where development is ongoing in Glasgow, Leeds and High Wycombe.

The Group responded to the climate emergency by updating its Sustainability Strategy for the future developments that the business will undertake. Looking ahead the Group firmly believe that this focus on sustainable development will drive further growth by meeting our clients need for efficient , sustainable buildings that people want to live, work and play in.

Principal risks and uncertainties

Competitive risks

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

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

Legislative risk

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

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

Strategic report

Liquidity risk

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

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

Brexit and Government Policy Risk

Following the passing of the Withdrawal Act and the UK Governments Mini Budget in the autumn of 2022, the UK's economy and in particular the real estate property market remains volatile. While the impact of Brexit is still evolving, BAM Properties has a flexible operating model that is able to accommodate change. We maintain positive close relationships with key contractors and suppliers to ensure BAM Properties remains a developer of choice .

S Finnie
Executive Director, BAM Construct & Ventures
17 December 2024

Directors' report

The Directors present their annual report and accounts for the year ended 31 December 2023.

The company's registered number is 3283033.

Group results and dividends

The profit of the group for the year is set out in the income statement on page 9.

The directors do not recommend the payment of a dividend in respect of the year (2022: £nil).

Principal activities

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

Future developments

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

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

Directors

The following served as directors during the year ended 31 December 2023 and subsequent to that date

- J Wimpenny (resigned 31 January 2024)
- S Finnie
- E J Miller (appointed 26 April 2023)

Financial risk management

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

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

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

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

The group finances its development projects using a mix of project-specific bank facilities and loans from its parent, BAM Construct & Ventures UK Limited. In evaluating potential new projects the directors consider financing as one element of their appraisal.

In respect of existing projects the directors continually monitor performance against expectations including loan covenant compliance and the potential requirement for refinancing.

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

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

Directors’ report

Qualifying third party indemnity provisions for directors

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

Consideration of Going Concern

The financial statements of BAM Properties Limited (the Company) and its subsidiaries (the Group) have been prepared on a going concern basis as the Directors have concluded that the Group and Company will continue in operational existence and meet their liabilities as they fall due for at least the period of their assessment which is for the period until 30 September 2025. The Group meets its day to day working capital requirements through the cash held in its own name of £5.5m at the year-end, and through access to its other cash pooling balances held with the Royal BAM Group n.v. The Group does not have any bank debt or other external borrowings or facilities.

The Group and Company are reliant upon ongoing support of its ultimate parent, Royal BAM Group n.v. The Directors have received written confirmation from Royal BAM Group n.v. that the Company and its subsidiaries will be provided financial support for the period until 30 September 2025.

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 to 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. The Directors have also received written confirmation from the immediate parent undertaking, BAM Construct & Ventures UK Limited and a fellow group undertaking, BAM FM Limited, that they will not call for repayment of amounts owed to them by the Company for the period until 30 September 2025, unless the Company has sufficient financial means for such repayment.

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 n.v., to enable the Company and the Group to continue in operation and meet their liabilities as they fall due for or the period until 30 September 2025. Accordingly, the Directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

Audit exemption statement

For the financial year ended 31 December 2023, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its financial statements for the financial period in question in accordance with Section 476. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of the financial statements.

On behalf of the Board.

S Finnie
Executive Director, BAM Construct & Ventures
17 December 2024

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the financial statements.

The directors are responsible for preparing the Strategic Report, 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 international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Group statement of comprehensive income

For the year ended 31 December 2023	Notes	2023 £000	2022 £000
Turnover	3	**64,639**	-
Cost of sales		**(51,371)**	(516)
Gross profit / (loss)		**13,268**	(516)
Administrative expenses	4	**(3,842)**	(2,543)
Group operating profit / (loss)		**9,426**	(3,059)
Share of operating loss in joint venture		**(529)**	(178)
Total operating profit / (loss): group and share of joint venture		**8,897**	(3,237)
Interest income		**878**	378
Interest expense	5	**(1,387)**	(2,451)
Prfot / (loss) on ordinary activities before taxation		**8,388**	(5,310)
Taxation	6	**(2,085)**	975
Profit / (loss) for the financial year		**6,165**	(4,335)
Other comprehensive income		**-**	-
Total comprehensive profit / (loss) for the year		**6,165**	(4,335)
Profit / (loss) attributable to owners of the company		**6,165**	(4,335)
Total comprehensive profit / (loss) attributable to owners of the company		**6,165**	(4,335)

All items in the income statement relate to continuing operations.

Group and Parent company statement of financial position

At 31 December 2024	Notes	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Non - current assets					
Retention		**399**	**-**	399	--
Investment in subsidiaries	7	**-**	**-**	-	-
Investment in joint ventures	7	**4,840**	**4,840**	5,369	5,369
Total non-current assets		**5,239**	**4,840**	5,768	5,369
Current assets					
Inventories - land and property developments	8	**16,095**	**262**	66,266	51,468
Amounts due from subsidiary undertakings	9	**-**	**15,934**	--	14,791
Amounts due from joint ventures	14	**11,824**	**11,824**	11,069	11,069
Trade and other receivables	9	**25**	**21**	175	164
Current tax receivable		**1,008**	**955**	1,582	1,529
Cash at bank and in hand		**5,522**	**5,283**	1,015	955
Total current assets		**34,474**	**34,274**	80,107	79,976
Total assets		**39,713**	**39,114**	85,875	85,345
Current liabilities:					
Amounts due to immediate parent	10	**1,300**	**1,300**	66,301	66,301
Amounts due to group undertakings	10	**11,695**	**11,318**	516	216
Trade creditors and other payables	10	**2,077**	**2,087**	295	284
Accruals	10	**127**	**63**	552	499
Total current liabilities		**15,199**	**14,768**	67,664	67,300
Total liabilities		**15,199**	**14,768**	67,664	67,300
Capital and reserves					
Share capital	12	**30,000**	**30,000**	30,000	30,000
Profit and loss account		**(5,486)**	**(5,654)**	(11,789)	(11,955)
Total equity		**24,514**	**24,346**	18,211	18,045
Total equity and liabilities		**39,713**	**39,114**	85,875	85,345

For the financial year in question, the Company was entitled to exemption from audit under section 479a of the Companies Act 2006. No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts. The accounts on pages 9 to 26 were approved by the Board of Directors on 17 December 2024 and signed on its behalf by:

S Finnie
Executive Director, BAM Construct & Ventures
17 December 2024

Group statement of changes in equity

For the year ended 31 December 2023	Share capital £000	Profit and loss account £000	Total £000
Balance as at 1 January 2022	30,000	(7,454)	**22,546**
Total comprehensive income / (expense)	-	(4,335)	**(4,335)**
Balance as funds at 31 December 2022	30,000	(11,789)	**18,211**
Total comprehensive income	-	6,303	**6,303**
Balance as at 31 December 2023	30,000	(5,486)	**25,514**

Group statement of cash flows

Cash flows from operating activities		**2023**	**2022**
For the year ended 31 December	**Notes**	**£000**	**£000**
Profit / (loss) before tax		**8,388**	(5,310)
Working capital adjustments			
Decrease / (increase) in trade and other receivables	9	**(613)**	(440)
Decrease / (increase) in inventories	8	**50,171**	(8)
(Increase) / decrease in trade and other payables and accruals	10	**(720)**	732
Income taxes received		**574**	963
Cash flow from operations		**57,800**	(4,063)
Interest paid		**-**	-
Income tax paid		**-**	-
Net cash flow from operating activities		**57,800**	(4,063)
Increase in investment in joint ventures	7	**529**	178
Net cash flow from investing activities		**529**	178
(Decrease) / increase in borrowings		**(53,822)**	(774)
Net cash flow from financing activities		**(53,822)**	(774)
Change in cash and cash equivalents		**4,507**	(4,659)
Cash and cash equivalents at beginning of year		**1,015**	5,674
Net cash and cash equivalents at end of the year		**5,522**	1,015

Notes to the financial statements

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

These consolidated financial statements comprise BAM Properties Limited and its subsidiaries (the 'Group') for the year ended 31 December 2023. The Group and Company financial statements were approved by the board of directors on 30 June 2024 and the balance sheet was signed on the board's behalf by E J Miller. BAM Properties Limited is incorporated and domiciled in England and Wales.

The Group is primarily involved in the development of commercial properties.

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

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

Consideration of Going Concern

The financial statements of BAM Properties Limited (the Company) and its subsidiaries (the Group) have been prepared on a going concern basis as the Directors have concluded that the Group and Company will continue in operational existence and meet their liabilities as they fall due for at least the period of their assessment which is for the period until 30 September 2024. The Group meets its day to day working capital requirements through the cash held in its own name of £5.5m at the year-end, and through access to its other cash pooling balances held with the Royal BAM Group n.v. The Group does not have any bank debt or other external borrowings or facilities.

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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 to 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. The Directors have also received written confirmation from the immediate parent undertaking, BAM Construct & Ventures UK Limited and a fellow group undertaking, BAM Construction Limited, that they will not call for repayment of amounts owed to them by the Company for the period until 30 September 2024, unless the Company has sufficient financial means for such repayment.

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 n.v., to enable the Company and the Group to continue in operation and meet their liabilities as they fall due for the period until 30 September 2024.. Accordingly, the Directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

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

Notes to the financial statements

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK adopted International accounting standards in conformity with the requirements of the Companies Act 2006.

The Directors have taken advantage of the exemption under section 408 of the Companies Acts 2006 not to present the company's individual statement of comprehensive income. The company only profit for the year is £4,324,000 (2022: loss of £4,324,000).

2.2 Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances in the current market. Actual results may differ materially from these estimates.

The following judgements and estimates have the most significant effect on amounts recognised in the financial statements:

Trading properties (including inventories)

Trading properties are carried at the lower of cost and net realisable value. The estimation of the net realisable value of the Group's trading properties could be subject to significant variation and as a result, are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. If the assumptions upon which the directors have based their valuation prove not to be accurate, this may have an impact on the net realisable value of the Group's properties, which would in turn have an effect on the Group's financial condition.

Trade and other receivables

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

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 6.

Cash flow forecasts

To support significant estimates, cash flow forecasts are produced periodically and reviewed by senior management on all projects and at a business level. These cash flow forecasts enable BAM Construct UK to support the going concern assumption and impairment reviews.

The principal accounting policies are set out below. They were applied in preparing the financial statements for the years ended 31 December 2022 and 2023.

Notes to the financial statements

2. Accounting policies (continued)

2.3 Changes in accounting policy and disclosures

Application of new and revised standards

The following amendments apply for the first time as of 1 January 2023, but these do not have a material impact on the financial statements of the Company:

Presentation of Financial Statements – Making Materiality Judgements – Amendments to IAS 1

The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. The amendment is effective for annual periods beginning on or after 1 January 2023. The Company has updated its accounting policies in line with the revised IAS 1 standard.

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The amendments have been introduced in response to the OECD's BEPS Pillar Two rules and include:

A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception, the use of which is to be disclosed, applies immediately.

Insurance Contracts – IFRS 17 replacement of IFRS 4

IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. This standard requires a company to recognise profits as it delivers insurance services and to provide information about insurance contract profits the company expects to recognise in the future.

Definition of accounting estimates – Amendments to IAS 8

The amendments to IAS 8 replace the definition of changes in accounting estimates with a definition of accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

The amendments to IAS 2 provides an exemption from the initial recognition as stated in IAS 12.15(b) and IAS 12.24. The amendments are effective for annual periods beginning on or after 1 January 2023.

(b) New standards and interpretations in issue but yet effective

Classification of liabilities as current or non-current – Amendments to IAS 1

The amendment to IAS 1 clarifies how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual periods beginning on or after 1 January 2024.

There are no other IFRSs or IFRIC amendments effective as per 1 January 2023 that have a material impact on the Company.

Notes to the financial statements

2. Accounting policies (continued)

2.4 Significant accounting policies

Turnover and profit recognition

Revenue is recognised once the sale of the property development has completed. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Finance income

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

Joint arrangements

Investments in joint arrangements are classified as joint ventures whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint venture. In this case 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.

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

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

Provisions 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 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 Group's financial assets comprise 'other financial assets', ' (trade) receivables - net', 'contract assets', 'contract receivables' and 'cash and cash equivalents' in the balance sheet.

Notes to the financial statements

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

The Group classifies its financial assets in the classes 'debt instruments at amortized costs', 'financial assets at fair value through profit and loss'. Debt instruments at amortized 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 at other financial assets at fair value through profit or loss.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the date on which the Group 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 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 Group has applied the practical expedient are initially measured at the transaction price determined under IFRS 15. (See note 2.4 for revenue recognition).

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 Group 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 toto 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 Group 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.

Notes to the financial statements

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

- Indications of increase in credit risk for financial assets are if a debtor or a group of debtors:
- experience significant financial difficulty;
- are in default or delinquency in interest or principal payments;
- have increased probability of default;
- other observable data resulting in increased credit risk.

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month 2. 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Inventories

Land and property developments are recorded at the lower of cost and net realisable value. Net realisable value is based upon 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 to 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 Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash and short term deposits in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is at the measured at the tax rate that it is expected to apply to the reversal of the related difference using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Trade and other payable

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.

Amounts due to immediate parent undertaking

Amounts due to parent undertakings are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, the amounts are recognised at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Income Statement over the period of the loan, using the effective interest method.

Notes to the financial statements

3. Turnover

Turnover, which is stated net of VAT, represents the invoiced value of sales in respect of land and commercial property developments. Turnover is attributable to continuing activities and arose wholly within the United Kingdom.

Turnover recognised in the income statement is analysed as follows:

	2023 £000	2022 £000
Sale of development	**64,639**	-
Total	**64,639**	-

4. Directors' emoluments

The remuneration for the directors of the company is paid by BAM Construct & Ventures UK Ltd.
The remuneration for qualifying services provided to the company by the directors is considered to be negligible, hence disclosed as nil (2022: nil).

The Company did not employ any staff (2022: nil).

5. Interest expense

	2023 £000	2022 £000
Bank and other interest	**(1,387)**	(2,451)
Interest expense	**(1,387)**	(2,451)

The cumulative amount of interest capitalised in the land and developments at the balance sheet date is £697,000 (2022: £697,000).

6. Taxation

a) Tax charge/(credit) on profit on ordinary activities	2023 £000	2022 £000
Current tax		
UK Corporation tax	**2,077**	(968)
Adjustment in respect of earlier years		
Group	**-**	1
Total current tax charge/ (credit)	**2,077**	(967)
Deferred tax charge	**8**	(8)
Tax charge/(credit)	**2,085**	(975)

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

Notes to the financial statements

6. Taxation (continued)

b) Factors affecting current tax (credit) / charge

The tax assessed on the profit / (loss) on ordinary activities for the year is higher (2022: lower) than the rate of corporation tax in the UK of 23.52% (2022: 19.00%). The differences are reconciled below:

	2023 £000	2022 £000
Profit / (Loss) on ordinary activities before tax	**8,388**	(5,310)
Profit) / (Loss) on ordinary activities multiplied by the rate of		
UK corporation tax at 24.5% (2022: 19.00%)	**1,973**	(1,009)
Expenses not deductable for tax purposes	**2**	-
Adjustment in respect of earlier years	**(15)**	-
Income not taxable	**125**	34
	2,085	(975)

c) Factors affecting the future tax charge

On June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective rate of 15%. Royal BAM Group n.v. completed an initial assessmen of the impact of the new rules. Based on this initial assessment the Group expects to apply the safe harbour rules in the UK. The applicable UK tax rate is 25%, well above the minimum rate of 15%. The adoption of the Pillar Two Model rules in the UK is expected to have no material impact. The Group applies the mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules.

7. Investment in joint venture

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Investment carrying amount	**4,840**	**4,840**	5,369	5,369

Subsidiary undertakings, and joint ventures

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

Subsidiary undertakings	Equity		Registered office
BAM Monk Bridge Limited (100%)	£1	Property development	Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4FL
BAM Glory Mill Limited (100%)	£1	Property development	Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4FL
BAM Queen Street Limited (100%)*	£1	Property development	183 St Vincent Street, Glasgow, G2 5QD

The aggregate amount of share capital invested in the subsidiaries is £3. Due to rounding, this has been presented as NIL in the Parent company statement of financial position.

Joint ventures

BAM TCP Atlantic Square Limited (50%)*	Property development	Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4FL

*registered in Scotland

Notes to the financial statements

7. Investment in joint venture (continued)

Joint Venture arrangements remain in place until a project is finished. In practice, the duration of the majority of the joint venture is limited to a period of between 1 and 4 years, with the exception of joint venture in connection with land and building rights held for strategic purposes. The Group has a 50% interest in BAM TCP Atlantic Square Limited (joint venture).

Set out below is the joint venture of the Group as at 31 December 2023 that is individually material to the Group. Nature of investment in the joint venture in 2023 and 2022:

	Principal activity	**Country of incorporation**	**% Share 2023**	**% Share 2022**
BAM TCP Atlantic Square Limited	Property development	United Kingdom	50%	50%

Set out below are the summarised financial information for the joint venture that is individually material to the Group, including reconciliation to the carrying amount of the Group's share in the joint venture, as recognised in the consolidated financial statements. This information reflects the amounts presented in the financial statements of the joint venture adjusted for differences in the Group's accounting policies and the joint venture.

BAM TCP Atlantic Square Limited	**2023 £000**	**2022 £000**
Current assets	**36,476**	35,761
Current liabilities	**(31,271)**	(29,496)
Net assets	**5,205**	6,265
Of which:		
Cash and cash equivalents	**1,952**	2,087
Revenue	**-**	-
Net result	**(1,059)**	(356)
Of which:		
Income tax	**329**	87
Net result	**(1,059)**	(356)
Share in profit rights	**50%**	50%
Share in net result	**(529)**	(178)
Net assets	**5,205**	6,265
Group's share in equity - 50% (2022 - 50%)	**2,603**	3,132
Goodwill	**2,237**	2,237
Group's carrying amount of the investment	**4,840**	5,369

The Group's share in the joint venture BAM TCP Atlantic Square is based on its share in the members' capital. Contractually, the Group has a 50 per cent share in profit rights. In addition, the Group bears the risks in the operational phase until completion of the projects which are acquired by the joint venture. If the Group's share in losses exceeds the carrying amount of the joint venture, further losses will not be recognised, unless the Group has a legal or constructive obligation.

Notes to the financial statements

8. Inventory, land and property developments

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
As at 1 January	**66,266**	**51,468**	66,258	51,817
Additions	**1,035**	**-**	8	(349)
Sale	**(51,206)**	**(51,206)**	-	-
Impairment	**-**	**-**	-	-
As at 31 December	**16,095**	**262**	66,266	51,468

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

The carrying value of the property includes historical capitalised interest of £697,000 (2022: £697,000).

9. Current assets

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Other debtors	**-**	**-**	40	35
Value added tax	**25**	**21**	135	129
	25	**21**	175	164

Customer credit risk is managed by each business in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on credit rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

	Company 2023 £000	Company 2022 £000
Amounts due from Subsidiary Undertakings		
Amounts due from Subsidiaries	**23,520**	22,340
Provision for Impairment	**(7,591)**	(7,549)
At 31 December	**15,929**	14,791

	Company 2023 £000	Company 2022 £000
Movement in Provision for Impairment		
At 1 January	**7,549**	7,504
(Credited) / charged to the income statement	**42**	45
At 31 December	**7,591**	7,549

Notes to the financial statements

10. Current liabilities

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Due within one year				
Amounts due to immediate parent	**1,300**	**1,300**	66,301	66,301
Amounts due to group undertaking	**11,695**	**11,318**	516	216
Corporation tax	**2,077**	**2,087**	-	-
Trade creditors and other payables	**19**	**-**	295	282
Accruals	**108**	**63**	552	499
	15,199	**14,768**	67,664	67,298

In 2022, £66m of the amounts due to immediate parent was in relation to an unsecured loan with interest at 2% above libor, was repaid in May 2023. £1,300k of the amounts due to immediate parent are unsecured, interest free and have no fixed date of payment. Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms.

11. Financial assets and liabilities

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

a) Credit risk

The Group is exposed to potential credit risk on financial instruments such as liquid assets and trade receivables. The Group manages credit risk by placing its investments in liquid assets with high quality financial institutions. These institutions must satisfy or exceed credit ratings of at least 'A'. In line with normal business practice, the Group operates credit management procedures and regularly reviews credit rating information regarding organisations to which the Group considers extending credit arrangements. The Group expects there to be little or no impact of COVID-19 on the credit risk of the Company.

b) Liquidity risk

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

c) Price and value risk

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

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

Notes to the financial statements

11. Financial assets and liabilities (continued)

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

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

Year ended 31 December 2023	**Carrying amount**	**<1 year**
Amounts due to immediate parent	1,300	1,300
Amounts due to group undertakings	11,695	11,695
Trade and other payables	127	127
	13,122	13,122

Year ended 31 December 2022	**Carrying amount**	**<1 year**
Amounts due to immediate parent	66,301	66,301
Amounts due to group undertakings	516	516
Trade and other payables	847	847
	67,664	67,664

Fair values of financial assets and liabilities

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

12. Called up share capital

	2023	**2022**
	£000	**£000**
Authorised, allotted, called up and fully paid:		
30,000,000 ordinary shares of £1 each	**30,000**	30,000

13. Contingent liabilities

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

b) The company, along with other group companies, is party to a guarantee in respect of any individual company overdraft balance within the cash pooling facility with the Bank of Scotland. At 31 December 2023 there were overdraft balances in a number of group companies in the cash pooling facility amounting to £nil (2022: £nil). The net overdraft position in the cash pooling facility as at 31 December 2023 was £nil (2022: £nil). This guarantee is not expected to give rise to any loss.

Notes to the financial statements

14. Related party transactions

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

Apart from transactions with related Group entities, no other related party transactions were recorded for 2023 (2022: nil).

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

	2023	**2022**
	£000	**£000**
Amounts due from:		
BAM TCP Atlantic Square Limited (joint venture) - loan @ 2% above base rate, repayable on demand	**11,824**	11,069

	2023	**2022**
	£000	**£000**
Management fees paid within the year:		
Total amounts outstanding 31 December	**1,990**	586

	2023	**2022**
	£000	**£000**
Amounts due to:		
BAM Construct UK Limited (immediate parent) - loan @ LIBOR + 2%, repayable on demand	**-**	66,301
BAM FM Limited (fellow subsidiary) - interest free, repayable on demand	**10,044**	-
BAM Construction Limited (fellow subsidiary) - interest free, repayable on demand	**514**	516
As at 31 December	**10,558**	66,817

For the year ended 31 December 2023, the Group recorded an impairment of amounts due from group undertakings of £42,000 (2022: £45,000).

Details about guarantees provided to banks for loans made to related Group entities are included in Note 14.

15. Parent undertakings and controlling party

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

16. Subsequent event

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

Making Possible

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