

2011



construct

report and accounts



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BAM Construct UK Limited

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Report and Accounts 2011

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Koninklijke BAM Groep nv ('Royal BAM Group') Statement

Royal BAM Group companies – including those in the UK – are continuing to adapt to, and perform well, in a challenging environment.

The UK companies have focussed on maintaining quality, making new strides in sustainability, and innovations such as Building Information Modelling ('BIM'), in order to continue to provide a customer focussed service. Around the world, and in the UK, our customers are facing new business challenges. We know that our success depends on how well we understand and deliver to their changing needs.

The 2011 turnover of Royal BAM Group's UK-based operations was more than £1.70 billion, showing only a small drop from the previous year. Profit before tax margins from core activities compares very well with performance achieved generally by the UK construction and infrastructure industry as the recession progressed. The forward order book remains above £2 billion, with over 80% of 2012 workload secured. The year-end liquidity and working capital position remained strong.

Much of this steady performance is the result of a heightened focus on prudently managing the difficulties inherent in the UK market at this stage of a protracted recession. The companies have resisted the temptation to bid at unsustainable prices, have concentrated on maintaining standards and have engaged in additional due diligence about the choice of suppliers and supply chain partners and increased their supervision of them. Above all, in these uncertain times, the UK companies offer customers the reassurance of stability, certainty, quality, and excellent risk management. The Board of Royal BAM Group was pleased to see that BAM Construct UK Limited and BAM Nuttall Limited broadened their customer base throughout the year. Substantial new orders were won from Royal BAM Group's existing, loyal customer base which includes high profile private and public sector customers such as Network Rail, The Co-Operative Society, London Transport, Argent, Crossrail, Scottish Power and Northumberland Water. The UK companies had major successes on a number of important frameworks such as the IeSE Framework and the Academies Framework.

Despite pressures on budgets, the UK companies are proving again and again to customers that sustainable options can be achieved affordably and offer best whole-life value. The UK companies remain top performers in the Sunday Times List of 60 Green Companies, while maintaining other more formal accreditations.

In 2011, 75% of Royal BAM Group's active sites in the UK achieved zero reportable accidents throughout the year. The Royal BAM Group's ambition is to ensure no harm is caused to anyone involved with our activities, an objective supported by strong leadership and employee commitment.

Royal BAM Group's strategy is currently focussed on mobilising its managerial and technical capabilities across all of its markets. Royal BAM Group companies are increasingly sharing their combined knowledge in areas such as tunnelling, green building design, BIM and lean construction. The goal is that customers anywhere in the world can benefit from the combined expertise and experience Royal BAM Group, as and when they need it. Increasingly, customers can look forward to the benefits of receiving a locally-provided service but with the full range of capabilities of an international enterprise.

The Board of Royal BAM Group takes this opportunity to thank all staff in the UK for their hard work and loyalty to the company. We also thank our UK customers and supply chain partners for their continued support.

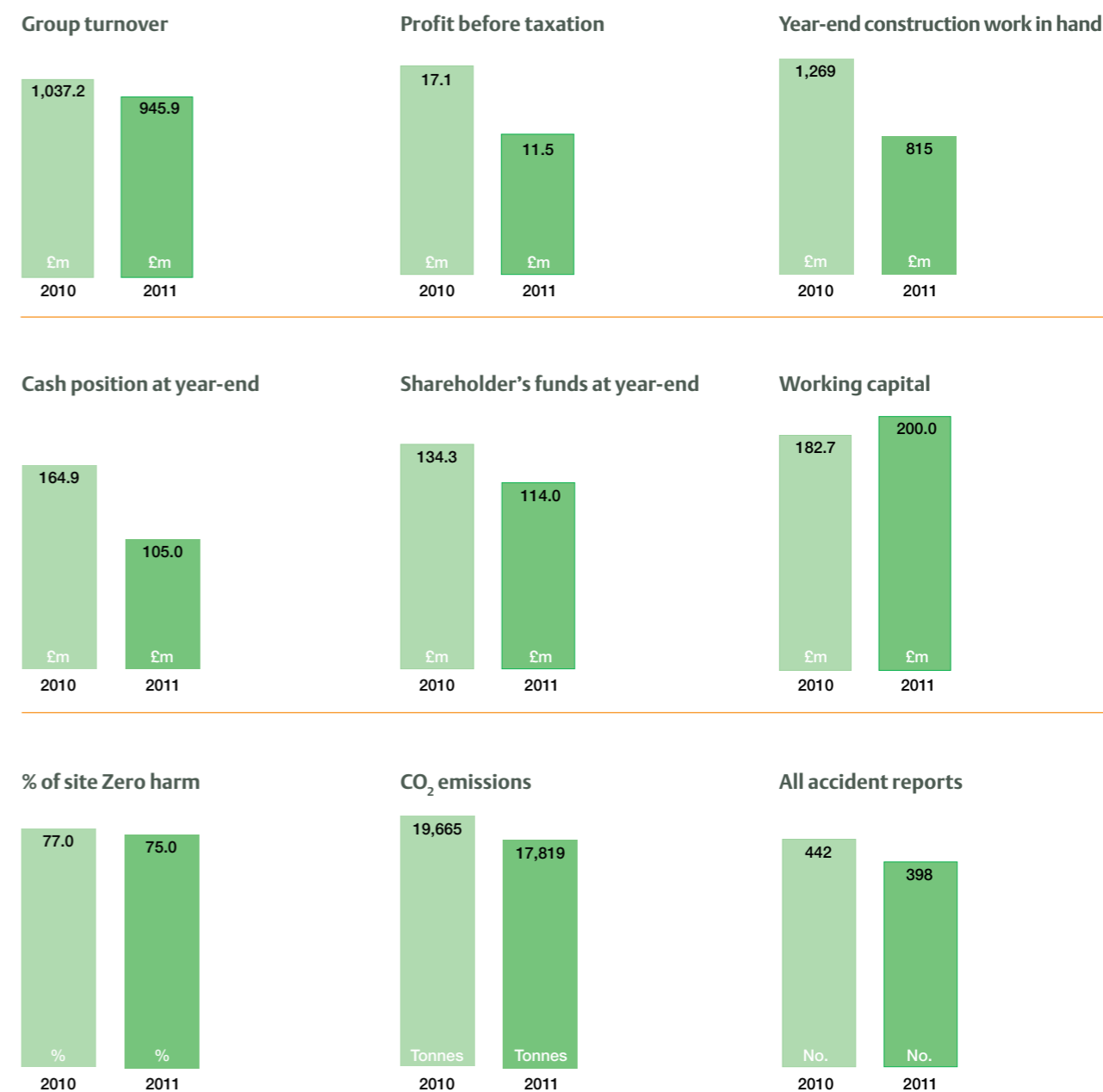
Martin Rogers
Member of the Executive Board
Royal BAM Group

Group highlights

BAM Construct UK Limited provides construction and plant, design, services engineering, property and facilities management services in the UK through its operating subsidiaries. It is part of the Dutch based Koninklijke BAM Groep n.v. ('Royal BAM Group'), which also owns the UK civil engineering company BAM Nuttall Limited and BAM PPP UK Limited which specialises in PFI investments.

Turnover in excess of £945m in 2011 producing a profitable performance and continued strong cash balances make the BAM Construct UK Limited group of companies one of the largest construction groups in the UK.

Review of the business



Chief Executive's review



This has been a challenging year for everyone in the construction and property services sector. My priority along with my board has been on steering our business steadily through these difficult conditions. Our goal is to remain a sustainable business that focuses on our customers by delivering what matters to them: quality, reliability, creativity and buildings that perform to their expectations.

Managing risk, leveraging opportunity

The conditions in the economy remain difficult for us and for our customers. We have to deal with a recession that has some unique features: its length and the rate of recovery are becoming increasingly difficult to predict. The Government's actions to correct the public finances have impacted heavily on our customers in the public sector. Our private sector customers have to grapple with a climate of uncertainty. In the face of all of this, our challenge is to maintain the right balance between managing risk while ensuring that we continue to innovate and invest in keeping the company responsive and resilient in a difficult market.

2011 performance

BAM Construct UK Limited, ('the group') achieved a positive performance in 2011, although one that reflects the impact of intense price competition on margins. Turnover for BAM Construct UK group was £945.9m (2010: £1,037.2m) generating profit before tax of £11.5m, a 1.2% margin (2010: £17.1m and 1.6% respectively). At the end of 2011, we had £211.7m of overall liquidity balances (2010: £270.6m) including amounts on deposit with our ultimate parent Koninklijke BAM Groep n.v. ('Royal BAM Group')

BAM Construction is our largest business. It is organised in seven regional units across Britain so that our operations are delivered close to our customers and we understand their issues and local environment. It also enables us to source supply chain and services locally whenever practicable to

leverage the positive impact of our projects on the local economy, a factor that is becoming of increasing importance to our clients. We also have architecture, design, and services engineering business units that enable us to offer a comprehensive and integrated service. Our plant operation enables us to achieve value in supplying equipment and communications on site and to ensure excellent standards of safety and maintenance.

BAM FM offers hard and soft facilities management. In 2011, the majority of its business was in managing PFI schools and premises. It has begun to widen its customer base and last year won further work in the private sector, such as a contract to manage facilities in Unison's Headquarters built by BAM Construction. BAM FM continued to develop its considerable expertise in energy management and commissioning buildings.

BAM Properties engages in retail and commercial property development and property advisory services to occupiers and investors. In 2011, it achieved a number of significant sales and lettings, most notably the sale of its development in Buchanan Street Glasgow to a German investor for £24.5m reflecting a yield of 5%.

BAM Construction achieved turnover of £900.9m (2010: £1,011.7m) and an operating result of £8.2m (2010: 23.1m) a margin of 0.9% (2010: 2.3%). The construction market remains challenging with intense price competition and an elevated risk profile. Nonetheless, BAM Construction succeeded in winning 46 contracts in 2011, including many prestigious projects such as: a national operations centre for Scottish Water; 'K College' in Ashford, Kent; the Jewish Community Centre in Hampstead, London; and the Hadyn Ellis campus building for the University of Cardiff.

Construction work continues on a number of major projects that will complete in 2012 including our work on the new Laboratory for Molecular Biology in Cambridge for the Medical Research Council, a new corporate headquarters in Manchester for The Co-operative Group, which is expected to be among the most sustainable office blocks in Europe, and a new national centre for Network Rail in Milton Keynes.

The order book for all our businesses at the end of 2011 stood at £1,367.1m (2010: £1,779.2m). The largest element is in construction at £815.2m, (2010: £1,269.0m). The combined position of BAM Construct UK and BAM Nuttall, the fellow Royal BAM Group's civil engineering subsidiary in the UK was second in the league table of work won during the year from 1 January – 31 December 2011 according to Barbour ABI data published in Building Magazine. The remainder of the work in hand figure comprises the estimated selling value of property development stock of £412.0m (2010: £377.0m) and income

secured for BAM FM for the next five years of £139.9m, (2010: £133.7m).

We also paid a dividend of £9.7m to our immediate parent undertaking BAM Group (UK) Ltd during the year (2010: £4.7m)

Health and safety

Ensuring the safety and wellbeing of our employees and everyone who works with us and around our operational sites remains a core component of being a socially responsible business. It is essential to record accidents and near misses and we are pleased to say that in 2011 we recorded the lowest number of accidents ever. Our focus is on achieving a 'zero harm' environment rather than preventing accidents. By that we mean that everyone is alert to their own personal responsibility with regard to their own safety and that of others around them. We also encourage staff to feel empowered to challenge any practice that might jeopardise this. 75% of our projects in 2011 achieved zero harm where we mean there were no recordable accidents. A commercially challenging climate for us and our supply chain means that greater attention is required in order to manage risk. This is one of the reasons why we delivered 1,841 days of safety training in 2011, an increase of 14% on the equivalent figure for 2010.

The road ahead

The group continues to withstand the economic pressures of the recession well. My fellow directors and I are conscious that the outlook remains difficult for our business for some considerable time in the future. This requires a heightened focus on achieving efficiencies in the way we manage our costs and operations, careful selection of supply chain partners and increased due diligence in all aspects of our business. However, we believe it is essential also to develop the capacity of our business to be agile and to innovate so that we are able to adapt to customers' changing needs and priorities. For example we continue to develop our capabilities with Business Information Modelling ('BIM') which is already giving us an edge over our competitors.

We consider that BAM Construct UK's ability to offer integrated services, and to bring in the expertise of other companies in Royal BAM Group, if required, is a benefit to customers and one that we intend to market more prominently. The fact that we participate on a number of important national and regional frameworks, work regularly with some of the leading commercial and public service organisations in Britain, and have the ability to take on work ranging from small specialist refurbishments to large new builds, is an important feature of our resilience.

The group remains focused on being a customer-centric, innovative and sustainable business. In early 2011, BAM Construct UK received a report from the customer perception research undertaken by independent consultants, Camargue.

100% of customers surveyed said that BAM Construct UK's employees were friendly and helpful. 98% said they would work with BAM Construct UK again and recommend the group to others. The research also identified that customers want to work with contractors who operate sustainably, who have the capacity to innovate, and who understand the importance of aftercare. Constantly improving our performance in all of these capacities remains an important element of our strategy.

Given that the quality of our employees is recognised as one of the group's greatest strengths, it was with regret that the board had to take difficult decisions to reduce the number of full time employees during 2011. Some of this reduction was achieved by improving operational efficiencies so that we did not have to fill all vacancies as they arose, but it also meant making some positions redundant. The board remains committed to ensuring we have the right level of staffing for our business including retaining capacity for the future.

The loyalty and commitment of our employees is a major contributor to the success of our business and so we are paying close attention to employee engagement, to developing our people's knowledge and abilities and offering them new channels through which they can contribute to our business. In 2011, we increased investment in training, and have introduced social media channels for collaboration and communication with employees as well as our stakeholders.

Increasingly, BAM Construct UK considers sustainability issues in the round as part of an embedded culture of doing business ethically and responsibly. The company made further progress in 2011 on reducing carbon emissions, reducing the amount of construction waste generated and sent to landfill and more efficient use of energy in its offices and on sites. This improvement in performance was validated by achieving a gold standard on the Business in the Community Corporate Responsibility Index 2011. The company also set a series of ambitious targets to be achieved by 2015 including reducing CO₂ emissions by 25% against a 2008 baseline.

We are not complacent: we expect market conditions to remain demanding in the medium term. However, I believe that the group has the ambition, determination and confidence to continue to perform well and to be distinctive for the quality of what it delivers to our customers.

Graham Cash
Chief Executive
17 April 2012

Sector review – Construction, Services Engineering and Plant



BAM Construction

BAM Construction continued to perform steadily in the face of very difficult trading conditions and completed 68 construction projects in 2011. Education remains a key market and the company has secured the largest number of contracts by any contractor on the Government's revised framework for delivering Academy schools. Health is also an important sector; BAM Construction delivered two major hospitals in Wales during 2011 and the £100m first phase of a major redevelopment for Great Ormond Street Hospital, London.

BAM Construction completed a number of other prestigious projects including the refurbishment of the National Portrait Gallery of Scotland, the restoration of the Leeds Varieties Hall, and an international entertainment venue; Bluewater Events Centre in Kent. The company is close to completing a national centre in Milton Keynes for Network Rail and the new Laboratory for Molecular Biology in Cambridge. Work continues on a new headquarters in Manchester for The Co-operative Group which, when completed, is expected to be the most sustainable commercial building in the UK.

The construction market remains challenging with economic pressures and an elevated risk profile. Nonetheless, BAM Construction succeeded in winning 46 new contracts in 2011, including many prestigious projects such as: a national operations centre for Scottish Water; 'K College' in Ashford,

Kent; a Jewish Community Centre in Hampstead, London; and the Hadyn Ellis campus building for the University of Cardiff.

The company was also reselected to participate on the second IeSE framework in the South East of the UK, and on the Designed for Life, Building for Wales regional frameworks. It was also selected for new regional frameworks in Cornwall, the South West framework and one in Fife.

We worked collaboratively with a number of Royal BAM Group companies over the course of the year. This is yielding tangible business benefits. For example, in 2011, BAM Construction won its third project to work with Network Rail – a longstanding customer of BAM Nuttall – to deliver a new rail operating centre and training facilities in York. Colleagues from Royal BAM Group's specialist stadia company, HBM Stadien und Sportstättenbau, are providing input to the complex project underway at Leeds Arena.

All nine BAM project managers who entered the 2011 Chartered Institute of Building's Construction Manager of the Year Awards were shortlisted as finalists, the highest number from any contractor. Two were awarded Gold medals: Simon Sutcliffe for his work on the Carnegie Pavilion for Yorkshire Country Cricket Club/Leeds Metropolitan University and Adam Harding for his work on West Herts College.



Services Engineering

The company's Services Engineering division had to grapple with similar challenges to our construction business and particularly work within the constraints of single stage tendering which allows less time for evaluation and problem solving before construction commences. Nonetheless, Services Engineering made progress on applying new technologies and developing processes to help to deliver low carbon energy efficient buildings.

In 2011, the division successfully completed its first three projects in the North East of the country following the establishment of a base there in 2010, including the NAMRC building for the University of Sheffield. Services Engineering incorporated a range of highly energy efficient heating and cooling technologies in the building along with a wind turbine generator that is capable of exporting electricity to the main grid.

Plant

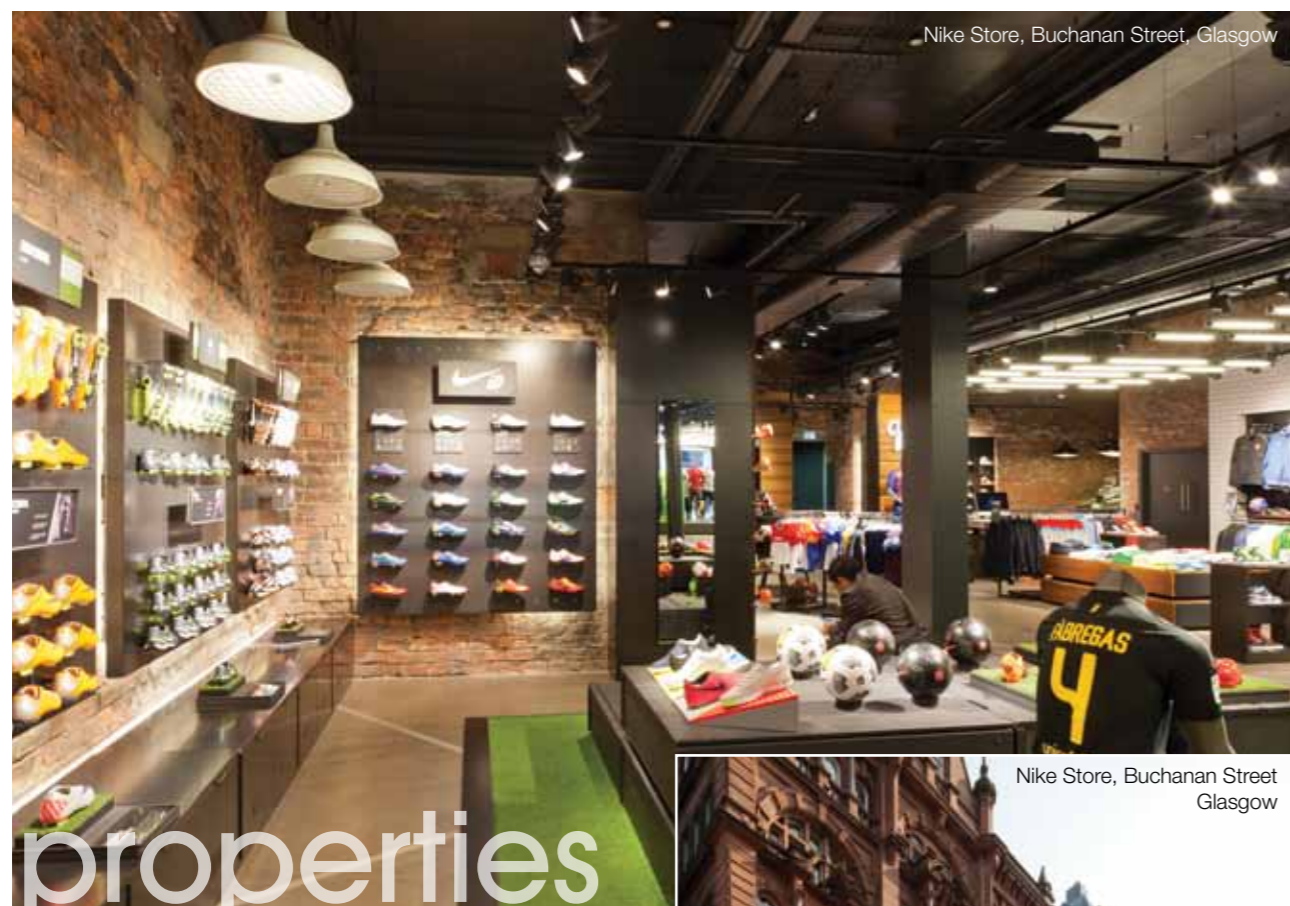
The plant division succeeded in a difficult climate in maintaining margins supporting the construction business and that of BAM Nuttall Limited (Royal BAM Group's fellow civil engineering subsidiary in the UK). The benefits of an internal plant division are many: efficient sourcing and procurement, and attention to quality, maintenance and safe operation of all plant and equipment when it is on site. In 2011, BAM Plant successfully implemented an electronic data system for tracking hired-in plant and equipment that enables sites to track costs accurately on-line. The new system is bespoke to BAM Plant providing real time information to sites.



BAM Plant supports the group's drive to operate sustainably and responsibly and has worked on lowering the CO₂ emissions from company cars and grey fleet cars (cars owned by employees who receive a car allowance).

BAM Plant became a trading division of BAM Construction Limited with effect from 1 January 2011 leading to operational efficiencies and a closer working relationship across the group.

Sector review – Properties



BAM Properties

BAM Properties is a subsidiary of BAM Construct UK. In 2011, it continued to concentrate on achieving lettings and sales of its current office and retail portfolio at full value.

BAM Properties sold the final part of its retail development on Buchanan Street, Glasgow to a German investor for £24.5m reflecting a yield of 5%. BAM Properties also achieved some significant lettings. Two international tenants, Sinclair Knight Merz and Insight, between them, took half the space at the Metro development in Salford Quays, Manchester. Another floor of the development at St Peter's Square Stockport, was let to BSkyB who now occupy over 60% of the building.

One of BAM Properties' strengths is astutely reading local variations in the market. For example, following the development of two office blocks in the early 2000s on its mixed use site in Parklands Birmingham, the company realised that demand for commercial property in the area had all but dried up. In 2010, it secured alternative planning consent for the site which led, in 2011, to its sale to a nationwide residential property developer. Construction work continued during 2011 on a highly sustainable office building in Chiswick, West London, and a marketing campaign commenced in late 2011 ahead of the completion of the development in February 2012.



BAM Properties engaged in a successful public consultation about plans for its proposed development on a prime site at 110 Queen Street, Glasgow. A formal planning application is currently being considered by Glasgow City Council.

The property market in Britain remains subdued although opportunities are emerging for quality, sustainable developments on prime sites in prime locations. This has been the main focus of BAM Properties' strategy since the economic downturn and it will continue to pursue this strategy throughout 2012.

Sector review – Design



BAM Design

BAM Design had a very successful year with better than expected turnover and profit. It is leading the way in the application of BIM across the construction business producing substantial benefits and savings in our construction processes. For example, during our work on Leeds Arena in 2011, significant expenditure was avoided by being better able to co-ordinate the design work and to detect building clashes. Our design practice is also developing expertise in whole life sustainable design. Working alongside colleagues in construction, BAM Design was heavily involved in the delivery of a number of sustainable projects including, for example, Montgomery Primary School in Exeter (which is expected to be the first Passivhaus primary school in Britain) and Carlton Community School where we successfully used Hemcrete.

With effect from 1 January 2012, the directors decided to make BAM Design a separate, independent trading division of BAM Construction Limited.

Sector review – FM



BAM FM

BAM FM provides facilities management services at 33 schools where it scores high levels of customer satisfaction from both pupils and teaching staff. In 2011, the company began to expand its business into the private sector and secured contracts to provide services in buildings delivered by BAM Construction, including at Unison's headquarters in central London and Chobham Academy in east London. It also manages commercial buildings in BAM Properties' portfolio and adds value to the construction business in commissioning completed building and by providing expertise on energy management.

In 2012, BAM FM will continue to expand and diversify its client base in order to develop options for future growth. It is also continuing to develop its expertise in energy management in operational buildings, and post occupancy evaluation.

Sustainability report



Doing business responsibly

Like many companies, when BAM Construct UK first began formally to consider sustainability issues, we spoke about and labelled our activities as 'Corporate Social Responsibility'. Our thinking has developed rapidly since we started with CSR in 2003 and we now see sustainability – economic, ethical, social and environmental – as being an intrinsic part of all our operations. Measures such as giving our staff two days paid leave a year to do voluntary work, or considering whole life design, or paying suppliers on time, are not disconnected acts: they are part of a culture of doing business responsibly.

In 2011, the board decided that it should formally articulate the group's values, mission statement and vision.

The group published its fourth annual sustainability report in July 2011 which can be viewed in detail on the group's website www.bam.co.uk. Some external benchmarks of our progress during 2011 indicate the group's progress. BAM Construct UK was awarded gold status in the Business in the Community's 2011 index of Corporate Social Responsibility. (We achieved silver status in 2010.)

The group achieved the highest ranking of any contractor in the Sunday Times Best Green Companies list. BAM Construct UK was ranked 14 on the top 60 list, (an improvement on our position of 25 out of 60 in 2010). We submitted data to the mandatory CRC Energy Efficiency Scheme run by the Department of Energy and Climate Change and were ranked 230 out of more than 2,000 organisations on its league table in recognition of our work to manage and reduce our carbon emissions.

Environmental sustainability

The group's total carbon footprint reduced by 1,846 tonnes CO₂ compared to 2010, a 9.4% decrease. The amount of electricity we used reduced by 15% (2,700,000 kWh or £270K) and the amount of gas used by around 30%. We reduced air travel significantly, saving 133,000 miles and 100 tonnes of CO₂.

In 2011, we implemented a transport strategy that we developed in partnership with BAM Nuttall. We exceeded our company car fleet efficiency targets (achieving an average efficiency of 127gCO₂/km). We also reduced our mileage by 130,000 saving £18,000 and reduced fuel use in our commercial fleet by 40,000 litres saving around 100 tonnes of CO₂.

Sustainability report



The proportion of our waste diverted from landfill increased to 88%, a further step towards our goal of eliminating non-hazardous waste to landfill by 2015. Over 90% of the timber delivered to our construction sites was fully certified FSC or PEFC chain of custody.

In 2011, the group developed some longer term sustainability targets to be achieved by 2015 and communicated these to employees. The principal targets include reducing our operational CO₂ emissions across the business by 25% by 2015 (from a 2008 baseline), reducing the amount of construction waste we produce by 25% and carrying out post-contract evaluation on all projects undertaken by BAM Design and BAM Properties.

The group was awarded £110,000 in a competitive funding bid from the Technical Strategy Board to carry out post evaluation studies on two of our completed schools projects: Cressex Community School and St Peter the Apostle School. These detailed studies will compare how well these buildings are performing in reality compared to the design aspirations. The results of studies will provide useful data to enable us to improve our performance. They will also help us to develop skills in building performance evaluation.

One of our goals in 2011 was to embed sustainability in the heart of our operations. We established a responsible sourcing working group to improve our procurement of sustainable materials and 100 commercial staff attended responsible sourcing training.

Sustainability report



Social sustainability

During the year, the group made charitable contributions totaling £119,706 (2010: £39,414).

Our total community contributions for 2011 totaled £568,309 which is made up of employee time, monetary and in-kind donations. This is a 21.6% year on year increase. The group has contributed a further £74,029 in mandatory community contributions. We have also been able to leverage a further £202,718 in donations, including contributions from subcontractors, clients and employee fundraising. Our leverage has increased by 56% this year, due in part to the establishment of a charity partnership with Barnardo's.

Our community investment has benefitted nearly 22,583 individuals in 540 organisations. Much of BAM Construct UK's investment in community activity is directed towards providing educational opportunities for young people. During 2011 we provided activities that complemented the national curriculum to over 18,000 students.

In 2011, we implemented our 'Making TIME' for Communities programme that enables employees to take two days paid leave per year to volunteer within the community.

In 2010, BAM Construct UK employees voted to select Barnardo's as the group's national charity partner. Over the year, our employees cycled, rowed, baked, rafted, ran, raffled, parachuted, golfed and quizzed their way to raising £100,000 for Barnardo's. This meant that Barnardo's could provide 35 disadvantaged young people with the skills and training they need to turn their lives around.

The group is keen to link our corporate training opportunities to the communities where we work. In 2011, we recruited

seven technician apprentices from the localities of our projects in Manchester and Medway. The apprentices are gaining valuable experience on these projects while completing an advanced apprenticeship in Construction Site Supervision.

We developed a shared apprentice programme with Coventry City College and the City Council. Nine apprentices are now employed by the group but also undertake placements with different other local contractors so that they gain the full range of experience they need to complete their qualifications.

We have won many awards, including:

- BAM Construction in London who received a National 'Big Tick' for Work Inspiration awarded by Business in the Community.
- BAM Construction in the South East won an award from Milton Keynes Education Business partnership for outstanding community liaison by the Network Rail project in Milton Keynes.
- Our project team at Leeds Arena were honoured with a 'Collaboration and Integration' award from Constructing Excellence Best Practice (Yorkshire and Humber) in recognition of the work they have been doing to promote social responsibility.

As well as engaging with communities to make a difference, we try to minimise any negative impact of our construction work and to be a considerate neighbour. This is why we participate in the Considerate Constructors Scheme ('CCS'). Membership of the CCS means that our sites are independently audited twice during the period of their operation. In 2011, CCS auditors made 129 inspections of BAM construction sites. Our average score increased slightly over the 2010 figure to 35.74, well ahead of the industry average of 32.79. The CCS considers sites that score 36 or above as 'exceptionally considerate'. In 2011, four BAM construction sites scored 38 out of 40: our speculative office development at Chiswick Green, the new national centre for Network Rail in Milton Keynes, the new headquarters for The Co-op, in Manchester and Montgomery School in Exeter.

At the 2011 CCS awards, BAM Construction won 19 (five gold, three silver and 11 bronze) awards.

Empowering, enabling and engaging our employees

Our regular programme of employee engagement continued in 2011. The board staged roadshows in eight venues around Britain which were well attended and achieved positive feedback from employees. 61% of attendees filled in a feedback form after the presentations and 92% of the respondents scored it as very good or excellent.

Sustainability report

We published four editions of our staff magazine 'People'. In 2011, we began to exploit the potential of social media as a way of engaging our people and enabling them to collaborate. BAM Construct UK now has Facebook pages for 'BAM People' where employees can advertise and report on events organised by our sports and social clubs around the country. We also have Facebook pages for a number of our construction projects. BAM Construct UK has a presence on Twitter and tweet news daily about the group's activities and achievements. Our goal is to encourage all employees to follow BAM Construct UK on Twitter and Facebook as an accessible way of keeping up with the group's news.

The group has continued to invest in employee development. In 2011, 5,868 days, (2010: 5,878 days) of formal programmes were delivered. This worked out at approximately 3.2 days per employee. The investment was £584.0k (2010: £467.7k).

There was an increase in safety training of nearly 16% to support the group's new policy and framework for health and safety. The new framework focuses on personal responsibility and developing managers', team leaders' and supervisors' leadership skills and ensuring that everyone understands our concept of zero harm environments. Some of the training was brought in-house to develop and draw on the skills of BAM Construct UK safety advisers, who became accredited to deliver a range of British Safety Council courses.

Much of the emphasis of the safety training programme is, naturally, based around issues on construction sites. Nonetheless we pay attention to the need for all employees to be aware of safety wherever they are working. In 2011, the group implemented an e-learning system which is run on the staff intranet. The first e-learning programme focused on office based safety and included modules on fire safety awareness, COSHH (control of substances hazardous to health), display screen equipment and manual handling.

As environmental management and the responsible sourcing of materials were also major training themes in 2011, we have developed additional e-learning programmes to supplement our formal training with modules covering environmental sustainability and renewable technology.

The e-learning facility enables us to extend and supplement our formal training programmes. Its flexibility allows employees to learn at their own pace at times that can fit in with their work and personal commitments.

The board seeks to develop talent so that our future business leaders can be drawn mainly from within the group. Four management development programmes were staged in Roffey Park to develop the potential of employees at various levels.

Employees with disabilities

The directors encourage the employment of people with disabilities by providing training and career development opportunities and giving maximum support to staff that need special training and additional career support.

Thought leadership

The board is keen that the group should make a contribution to the wider development of the construction and property services sector as a whole and to the British economy. Staff participate in working parties and committees of various organisations including the CBI and the UK Contractors Group where the Chief Executive chairs its IT working party.

BAM Construct UK chairs the Sustainability Working Group of ENCORD (European Network of Construction Companies for Research and Development) on behalf of Royal BAM Group. This group developed the Construction CO₂ Measurement Protocol which has recently been endorsed by the publishers of the greenhouse gas protocol, the World Resources Institute (WRI).

The group's environmental team continued to work with the Waste and Resources Action Programme ('WRAP') including looking at waste reduction in design, along with increasing the recycled content of construction projects. In 2008, BAM Construct UK was one of the first contractors to sign up to the Government and WRAP commitment to help halve waste to landfill by 2012, which we achieved in 2010. We are now members of the working group looking at future WRAP commitments.

The group does not make party political donations of any kind, nor does it engage in party politics. However, it believes that engaging and influencing government policy on relevant topics is part of being a responsible business. Over the course of 2011, it engaged in correspondence with a number of MPs on issues of specific interest to them. The group staged a fringe meeting in partnership with Constructing Excellence at the Conservative Party Conference in Manchester in October 2011 on the theme of sustainable construction at which Martyn Hulme, Managing Director of The Co-op Estates, was a guest speaker.

Directors' report

The Directors present their report and group accounts for the year ended 31 December 2011.

This directors' report should be read in conjunction with the Chief Executive's Review, the individual Sector Reviews and the Sustainability Report, each of which is incorporated by reference in (and shall be deemed to form part of) this directors' report to the extent required by applicable law or regulation.

Principal activities

BAM Construct UK Limited (the group) is the holding company for the construction, design, services engineering, plant hire, property development and facilities management interests in the UK of its ultimate parent undertaking Koninklijke BAM Groep nv (Royal BAM Group).

Group results

The profit before tax for the year was £11.5m (2010: £17.1m). After taxation, the profit attributable to the shareholder was £7.9m (2010: £13.8m). During the year a dividend of £9.7m was declared and paid (2010: £4.7m). Pension deficit repair contributions of £12.0m were paid during the year (2010: £12.0m).

Promoting the success of the company and the BAM brand

The directors kept the progress of BAM Construct UK and its subsidiary undertakings under close scrutiny throughout the continuing difficult market conditions in 2011, adjusting the group's strategy to changing circumstances and setting appropriate targets for business units and senior managers.

During 2011 the Board built upon the efforts of 2010 on improving brand recognition. Feedback from the Customer Perception Survey received in the early part of the year showed strong appreciation of our approach by our customers. Further work was completed on better defining our values as an organisation and developing a mission statement to portray these for customers, staff and the supply chain. This will be completed during 2012.

The joint exploitation of the brand with BAM Nuttall referred to in last year's report has started to bear fruit with the group being awarded significant projects with Network Rail, already a key client for BAM Nuttall. BAM Construction has commenced work at Waterloo Station in London and towards the end of the year were awarded a further project in York. These projects add to that already underway in Milton Keynes where BAM Construction is building a new national centre for Network Rail.

Competitive bidding remains a key activity and much attention has been paid to the quality of our bid preparation during 2011. Bid preparation workshops continued in 2011 as well as the establishment of a central data resource supporting

bidding. Media presence for the group has been strong during the year where we have been active both locally and also in the national press. Late in 2011 we established Facebook pages for a number of our sites enabling more dynamic engagement with stakeholders. Supporting this we have commenced daily 'tweets' on Twitter communicating news on project awards and other achievements.

BAM Construct UK is a member of the UK Contractors Group ('UKCCG') and the Confederation of British Industry ('CBI'). The directors and group staff contributed to its activities by participating on a range of committees such as IT in the industry, health and safety and sustainability.

BAM Nuttall Limited and BAM PPP UK Limited

Communication and interaction continued between BAM Construct UK and BAM Nuttall during 2011 as the two companies collaborated on sharing knowledge and best practice in areas such as sustainability, marketing and PR, health and safety and IT development.

BAM Construct UK continues to work closely with BAM PPP, the fellow Royal BAM Group's PPP Subsidiary ('BAM PPP') via BAM Construction and BAM FM. The main effort during 2011 has been the building work and FM service delivery at both Somerset and Camden Schools under the 'Building Schools for the Future' programme. These were among the last few projects under this procurement model before the coalition government closed it. However, the group is currently working in partnership with BAM PPP examining PFI procurement opportunities in both schools and healthcare as these come to the market.

Subsidiaries

The principal activities of subsidiary undertakings are shown in note 23 to the accounts.

Qualifying third party indemnity provisions for directors

The group's ultimate parent undertaking, Royal BAM Group, 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.

Directors' report

Directors

The following served as directors of BAM Construct UK Limited during the year ended 31 December 2011:

R Bailey
J R Burke
G Cash

Fixed assets

Movements in tangible fixed assets during the year are shown in note 8 to the accounts.

Payment Policy

While BAM Construct UK does not follow a specific payment code, it is the group's policy that payments are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2011, the group had an average of 33 days (2010: 23 days) purchases outstanding in trade creditors (including trade creditors due in greater than one year). BAM Construct UK has a proactive policy of supportive management of its supply chain.

Financial risk management

Financial risk management is an integral part of the group's management processes. Stringent policies designed to identify, manage and limit both existing and possible risks are applied at various management levels.

The group is exposed to potential credit risk on financial instruments such as liquid assets and trade debtors. Credit risk is managed by spreading its investments in liquid assets across financial institutions. In line with normal business practice, the group operates credit management procedures.

BAM Construct UK, along with other Royal BAM Group subsidiaries, has provided guarantees against bank loan facilities for Royal BAM Group. The directors have carefully considered the risks associated with the provision of these guarantees and are of the opinion that the Royal BAM Group will meet its obligations under these loan facilities.

Liquidity and cash flow risks are actively managed through the preparation and monitoring of medium term plans, budgets and quarterly forecasts. The strong cash balances within BAM Construct UK assist in mitigating the potential interest rate and cash flow risks associated with the tightening in the credit markets for funding future property developments. Compliance with loan covenants associated with the non-recourse finance obtained for BAM Properties' developments is monitored regularly. Price risk is considered at a group level as part of the review of management forecasts and at project level as part of

the tender process and is monitored on an ongoing basis. The group has in place established procedures for tendering for new construction projects to identify and assess potential risks, culminating in formal review and director adjudication within the construction operating company and also by the Board of BAM Construct UK.

In the light of the downturn in the UK economy, the group continues to review the spread of work in the construction sector and, in particular, to examine potential risks that may arise from clients' reconsideration of project viability. However, the group considers that the strong component of public work in the future order book and the strength of the work already contractually committed mitigate the overall risk to BAM Construction.

BAM Properties acquired a new site in Glasgow in January 2011 as part of its strategy of positioning itself in readiness to take advantage of new development opportunities when market conditions improve. 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.

Within BAM FM, price risk is mitigated through the process of benchmarking selected services within each contract. Benchmarking is typically carried out at five-year intervals from the commencement of each facilities management contract and adjusts the selected service price to reflect the current market value. Cash flow risk is managed through the inclusion of invoicing and payment cycle provisions within the facilities management concession contracts.

The directors have assessed and continue to monitor the positioning of each of the businesses.

Competitive risks

The group is exposed to typical commercial risks experienced by commercial organisations operating within the same competitive markets of construction, design, services engineering, property development and the provision of facilities management services in the UK.

The group seeks to mitigate these risks by focusing on providing high quality services and having a mixed portfolio of projects across geographic and market sectors. The group also operates a highly selective approach to bid selection within BAM Construction, which includes maximising opportunities for framework contracts and negotiated projects. Letting risk is assessed by BAM Properties when considering new developments. BAM FM pays close attention to ensuring the high levels of service required are accurately priced to mitigate competitive risks.

Directors' report

Business continuity

There were no events during 2011 that posed a threat to the continuity of the business. A full, externally-hosted test of the group's business continuity plan was coordinated in 2011 enabling the plan to be refined.

Legislative risks

The group is required to comply with all applicable legislation and, in particular, covering activities such as the Construction Industry Scheme and relevant building standards for construction and property developments and standards of food hygiene in the provision of facilities management services.

This is achieved through established best practice procedures that are available to all employees on the group's intranet and through specific training courses. BAM Construct UK employs specialist staff with the relevant knowledge and experience in order to proactively manage these potential risks and ensure compliance at the highest level.

No significant uncovered risks were identified up to the date of this report.

Consideration of going concern

The directors have reviewed the matter of preparing the financial statements under the going concern basis. They have considered:

- the level and quality of existing orders held by BAM Construction;
- the value of orders for the FM business;
- the carrying value of property development stock;
- the liquidity balances within the business;
- the principal risks and uncertainties already outlined in the previous sections to this report; and
- the future forecasts for the various businesses sectors in which the group operates.

After considering the above points, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the obligatory steps to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under section 485 of the Companies Act 2006.



G Cash
Chief Executive
BAM Construct UK Ltd
17 April 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 accounts 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.

Independent auditor's report to the members of BAM Construct UK Limited

We have audited the accounts of BAM Construct UK Limited for the year ended 31 December 2011 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

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

In addition, we read all the financial and non-financial information in the Royal BAM Group Statement, Group Highlights, Chief Executive's Review, Sector Review, Sustainability Report and Directors' Report to identify material inconsistencies with the audited accounts.

Notes:

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

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's 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.

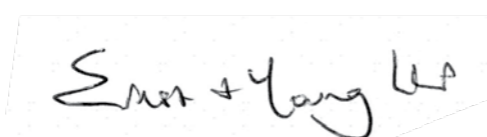
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company accounts 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.



Amin Mawji (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

20 April 2012

Group profit and loss account

Amounts in millions of pounds

For the year ended 31 December	Notes	2011	2010
Group turnover		945.9	1,037.2
Cost of sales		(929.9)	(988.1)
Gross profit		16.0	49.1
Operating and other administrative expenses		(8.7)	(34.1)
Other operating income		2.3	1.2
Group operating profit		9.6	16.2
Profit on disposal of tangible fixed assets	2	0.2	0.1
Profit on ordinary activities before interest and taxation		9.8	16.3
Interest payable and similar charges	6	(2.8)	(2.2)
Interest receivable and other income	6	4.5	3.0
Profit on ordinary activities before taxation		11.5	17.1
Taxation	7	(3.6)	(3.3)
Profit attributable to shareholder		7.9	13.8

All items in the profit and loss account relate to continuing operations.

Group statement of total recognised gains and losses

Amounts in millions of pounds

For the year ended 31 December	2011	2010
Profit for the financial year	7.9	13.8
Actuarial loss on HBG UK/GA pension schemes – gross	(25.1)	(6.3)
Actuarial loss on HBG UK/GA pension schemes – current tax credit	3.6	1.8
Actuarial loss on HBG UK/GA pension schemes – deferred tax credit	3.0	–
Total recognised (losses) / gains relating to the financial year	(10.6)	9.3

Group balance sheet

Amounts in millions of pounds

At 31 December	Notes	2011	2010
Fixed assets			
Tangible fixed assets	8	5.9	7.8
		5.9	7.8
Current assets			
Land and property developments		143.7	156.2
Stocks of raw materials and consumables		0.2	0.2
Debtors: amounts falling due within one year	10	282.4	255.8
Debtors: amounts falling due after more than one year	10	14.8	16.1
Cash at bank and in hand	11	105.0	164.9
		546.1	593.2
Creditors: amounts falling due within one year	12	(346.1)	(410.5)
Net current assets		200.0	182.7
Total assets less current liabilities		205.9	190.5
Creditors: amounts falling due after more than one year			
Non-recourse bank loans	12, 13	(61.4)	(33.9)
Trade creditors	12	(10.1)	(10.2)
		(71.5)	(44.1)
Provisions for liabilities and charges	14	(0.6)	(1.1)
Net assets excluding pension liabilities		133.8	145.3
Pension liabilities	20	(19.8)	(11.0)
Net assets including pension liabilities		114.0	134.3
Financed by:			
Capital and reserves			
Share capital	15	40.0	40.0
Profit and loss account	17	74.0	94.3
Equity shareholder's funds	17	114.0	134.3

Company balance sheet

Amounts in millions of pounds

At 31 December	Notes	2011	2010
Fixed assets			
Tangible fixed assets	8	2.8	3.2
Investment in subsidiaries	9	86.2	67.6
		89.0	70.8
Current assets			
Debtors: amounts falling due within one year	10	116.6	119.0
Debtors: amounts falling due after more than one year	10	–	17.8
Cash at bank and in hand	11	28.8	57.0
		145.4	193.8
Creditors: amounts falling due within one year	12	(100.0)	(118.4)
Net current assets		45.4	75.4
Total assets less current liabilities		134.4	146.2
Provisions for liabilities and charges	14	(0.6)	(0.9)
Net assets excluding pension liabilities		133.8	145.3
Pension liabilities	20	(19.8)	(11.0)
Net assets including pension liabilities		114.0	134.3
Financed by:			
Capital and reserves			
Share capital	15	40.0	40.0
Revaluation reserve	17	66.4	61.6
Profit and loss account	17	7.6	32.7
Equity shareholder's funds	17	114.0	134.3

The accounts were approved by the Board of Directors on 17 April 2012 and were signed on its behalf by:

Graham Cash
Chief Executive

Notes to the accounts

Amounts in millions of pounds

1. Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of investments in subsidiary undertakings (subsidiaries and associates). The accounts are prepared in accordance with applicable UK accounting standards and comply with the Companies Act 2006.

As the company is a wholly owned subsidiary of Royal BAM Group n.v., a company incorporated in The Netherlands which publishes consolidated accounts, the company has taken advantage of the exemption provided under FRS 1 (Revised) not to include a cash flow statement.

Consideration of going concern

The directors have reviewed the matter of preparing the financial statements under the going concern basis. They have considered:

- the level and quality of existing orders held by BAM Construction;
- the value of orders for the FM business;
- the carrying value of property development stock;
- the liquidity balances within the business;
- the principal risks and uncertainties outlined in the Directors' report; and
- the future forecasts for the various businesses sectors in which the group operates.

After considering the above points, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Basis of consolidation

The group accounts consolidate the accounts of BAM Construct UK Limited and all its subsidiaries drawn up to 31 December. No profit and loss account is presented for BAM Construct UK Limited as permitted by section 408 of the Companies Act 2006. The company's profit for the year is disclosed in note 17.

Entities, other than subsidiaries or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method.

Entities are accounted for in the group as follows: subsidiaries are fully consolidated from the date that control is obtained by the group. They are deconsolidated from the date that control is transferred. Associates are equity accounted for from the date that the group obtains significant influence until that significant influence is transferred.

Investment in subsidiaries and associates

In the parent company accounts, interests in subsidiaries and associates are included in the parent company balance sheet at the group's share of net assets of these undertakings. The surplus or deficit on the annual revaluation is transferred to the revaluation reserve, unless a deficit below original cost, or its reversal, on an individual investment is expected to be permanent, in which case it is recognised in the company's profit and loss account for the year.

Notes to the accounts

Amounts in millions of pounds

1. Accounting policies (continued)

Tangible fixed assets

All tangible fixed assets, are initially recorded at cost. 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:

Freehold property	over 50 years
Short leasehold property	over the period until the next break clause
Plant, machinery and vehicles	over 1 to 10 years
Fixtures and office equipment	over 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Long term contracts

Contract work in progress is valued at total cost incurred plus attributable profits less foreseeable losses and applicable payments on account. The resultant balance is included under debtors as 'amounts recoverable on contracts', under creditors as 'payments on account', or under creditors as 'accruals for foreseeable losses'. Total cost includes direct cost and allocated production overhead. Profit on long term contracts is taken as the work is carried out once the final outcome of the project can be assessed with reasonable certainty. Provision is made for losses on contracts in the year in which they are foreseen.

Land and property developments

Land and property developments are recorded at the lower of cost and net realisable value. The group capitalises interest on finance raised to facilitate the development of specific projects once development commences and until practical completion, based on the total actual finance cost incurred on the borrowings during the period. When properties are acquired for future redevelopment, interest on borrowings is expensed to the profit and loss account. When redevelopment commences interest on borrowing is capitalised as per above.

Stocks

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

Carrying amount of debt and allocation of loan issue costs

Debt instruments, such as bank loans, are stated at their net proceeds (i.e. after deduction of loan issue costs) on issue. Issue costs are amortised to the profit and loss account over the life of the instrument and are either included in interest payable or, where applicable, are capitalised into the cost of property development in accordance with the land and property developments accounting policy set out above.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- (i) provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets (including investments in subsidiaries, joint ventures and associates), and 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;
- (ii) 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.

Notes to the accounts

Amounts in millions of pounds

1. Accounting policies (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

Turnover and profit recognition

The origin and destination of the group's turnover is wholly within the United Kingdom.

Turnover and profit are recognised as follows:

- a) Construction contracts

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

Profit on construction contracts is recognised by reference to the stage of completion once the final outcome can be assessed with reasonable certainty. Full provision is made for all known or expected losses on individual contracts once such losses are foreseen.
- b) Development of commercial properties

Sales of property developments are recognised in respect of contracts exchanged during the year, provided that no material conditions remain outstanding at the balance sheet date, and all conditions are fully satisfied by the date on which the accounts are signed. Rental income from incidental operations in connection with development properties is credited to other operating income on an accruals basis. In accordance with UITF 28 'Operating lease incentives', the cost of lease incentives is allocated on a straight line basis over the lease term or a shorter period ending on the date from which it is expected the prevailing market rental will be payable.

Full provision is made for all known or expected losses on completing a development once such losses are foreseen. The profit on disposal of property developments is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period and any residual commitments.
- c) Facilities management

Turnover, which is stated net of VAT, represents the value of work done in the year including estimates of amounts not invoiced for the provision of facilities management services.

Profit on long term facilities management contracts is recognised by reference to the stage of completion once the final outcome can be assessed with reasonable certainty. Full provision is made for all known or expected losses on individual contracts once such losses are foreseen.

Finance income

Finance income consists of interest receivable on deposits and inter-company balances and is recognised as interest accrues.

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. Where the effect of the time value of money is material, the amount of a provision is discounted so as to represent the present value of the expenditure required to settle the obligation.

Notes to the accounts

Amounts in millions of pounds

1. Accounting policies (continued)

Pensions

The group operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds and both of which are now closed to new members. With effect from 31 October 2010 future accrual ceased for existing members, where the link to final salary remains only for calculating benefits.

Regular valuations are prepared by independent, professionally qualified actuaries. The regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to operating profit in the year.

A credit (representing the expected return on the assets of the Plan during the year, based on the market value of the assets of the Plan at the start of the financial year), and a charge (representing the expected increase in the liabilities of the Plan during the year, which arises from the liabilities of the Plan being one year closer to payment), are included as a net amount either within interest payable and similar charges or interest receivable and similar income.

The difference between the market value of assets and the present value of the defined benefit obligation is shown as an asset or liability in the balance sheet.

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

The group also participates in eight defined benefit schemes under 'TUPE' arrangements. These schemes are multi-employer schemes, where the group has 'Admitted Body' status as a participating employer. As such the group is unable to identify its share of the assets and liabilities in these schemes on a reasonable and consistent basis. The group has therefore accounted for these schemes as defined contribution schemes in accordance with treatment permitted by FRS 17 'Retirement Benefits'.

From 23 August 2004 the group opened a defined contribution scheme for new members of staff. Contributions to this scheme are charged to the profit and loss account when payable.

The group has applied the Amendment to FRS 17 'Retirement Benefits' in these accounts. The group has applied UITF48 'Accounting implications of the replacement of the retail prices index with the consumer prices index for the retirement benefits' in these accounts.

Details of the pension schemes are disclosed in note 20.

Leases

Payments under operating leases are charged wholly to the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the period ending on a date from which it is expected that the prevailing market rental will be payable.

Revenue arising from the leasing of assets under operating leases is recognised in the profit and loss account on a straight-line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Notes to the accounts

Amounts in millions of pounds

2. Operating profit

	2011	2010
This is stated after charging / (crediting):		
Depreciation of owned assets	3.5	3.8
Operating lease rentals – land and buildings	2.7	2.7
– plant and vehicles	1.0	1.3
Auditor's remuneration – audit	0.4	0.5
Incidental rental income from development properties	(1.0)	(0.3)
	2011	2010
	£000s	£000s
Fees payable to the company's auditor for the audit of the company's accounts	73.5	104.7
Fees payable to the company's auditor for other reasons:		
The audit of the company's subsidiaries pursuant to legislation	242.5	276.3
Other services pursuant to legislation	84.0	84.0
Total	400.0	465.0

Fees payable to Ernst & Young LLP for non-audit services to the company itself are not disclosed in the individual accounts of BAM Construct UK Limited because the company's consolidated accounts are required to disclose such fees on a consolidated basis.

3. Profit on disposal of fixed assets

	2011	2010
Proceeds from sale of tangible fixed assets	0.3	0.2
Less: net book value	(0.1)	(0.1)
Profit on disposal of tangible fixed assets before taxation	0.2	0.1
Tax charge	–	–
Profit on disposal of tangible fixed assets after taxation	0.2	0.1

4. Directors' emoluments

	2011	2010
	£000s	£000s
Aggregate emoluments of the 3 directors (4 directors in 2010) excluding pension contributions	794	898
Group contributions to defined benefit schemes	–	55
Group contributions to defined contribution schemes	61	24
	2011	2010
	No.	No.
Members of defined benefit schemes	2	2
	2011	2010
	No.	No.
Members of defined contribution schemes	3	4

Notes to the accounts

Amounts in millions of pounds

4. Directors' emoluments (continued)

	2011	2010
	£000s	£000s
The amounts in respect of the highest paid director were as follows:		
Emoluments	332	290
Group contributions to defined benefit schemes	–	30
	332	320
Accumulated total accrued pension per annum	105	77

5. Staff costs

	2011	2010
(a) The aggregate payroll costs, including directors' emoluments, were as follows:		
Wages and salaries	97.1	103.8
Social security costs	10.3	9.9
Other pension costs	9.0	7.7
	116.4	121.4

Included in other pension costs are £nil (2010: £5.2m) in respect of the defined benefit schemes and £9.0m (2010: £2.5m) in respect of the defined contribution schemes.

	2011	2010
	No.	No.
(b) The average number of persons employed by the group during the year including directors, was as follows:		
Staff	1,567	1,632
Operatives	936	987
	2,503	2,619

6. Net interest

	2011	2010
Interest payable and similar charges:		
Bank interest	(2.8)	(2.2)
Amortisation of loan issue costs	(0.3)	(0.3)
	(3.1)	(2.5)
Interest capitalised	0.2	0.2
Capitalisation of loan issue costs amortised	0.1	0.1
Interest payable	(2.8)	(2.2)

Notes to the accounts

Amounts in millions of pounds

6. Net interest (continued)

	2011	2010
Interest receivable and other income:		
Bank interest	1.9	1.3
Interest from ultimate parent company	1.3	0.9
Net return on financing of pension deficit	1.3	0.8
Interest receivable	4.5	3.0
Net interest	1.7	0.8

The cumulative amount of interest capitalised in land and property developments at the balance sheet date is £5.8m (2010: £6.0m).

7. Taxation

	2011	2010
(a) Tax on profit on ordinary activities		
UK corporation tax	3.5	3.4
Adjustment in respect of earlier years	0.2	(1.0)
Total current tax charge	3.7	2.4
Origination and reversal of timing differences	(0.4)	0.7
Adjustment in respect of prior years	(0.2)	0.7
Effect of decreased tax rate on opening liability	0.5	0.2
Total deferred tax (credit) / charge	(0.1)	0.9
Total tax charge for the year	3.6	3.3

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2010: lower) than the average rate of corporation tax in the UK of 26.5% (2010: 28.0%). The differences are reconciled below:

	2011	2010
Profit on ordinary activities before tax	11.5	17.1
Profit on ordinary activities multiplied by the rate of corporation tax in UK of 26.5% (2010: 28.0%)	3.0	4.8
Disallowed expenses	0.1	0.2
Decelerated capital allowances	0.3	0.4
Adjustments in respect of earlier years	0.2	(1.0)
Pension cost relief in excess of pension cost charge	–	(2.1)
Other timing differences	0.1	0.1
	3.7	2.4

Notes to the accounts

Amounts in millions of pounds

7. Taxation (continued)

(c) Factors that may affect future tax charges

Deferred tax assets in respect of pension timing differences have been recognised in the accounts on the grounds that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted, on the basis of all available evidence.

A reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and was effective from 1 April 2011. A further reduction from 26% to 25% was substantively enacted in July 2011 and will be effective from 1 April 2012. Accordingly, these rates have been applied in the measurement of the group's deferred tax assets and liabilities as at 31 December 2011.

In the budget of 21 March 2012, the Chancellor of the Exchequer announced the main rate of corporation tax will be reduced by an additional one per cent from 1 April 2012. The rate will therefore fall by two percent, from 26% to 24% in April 2012, to 23% in April 2013 and to 22% in April 2014. As these changes have not been substantively enacted at the balance sheet date, they have not been incorporated in the financial statements.

The aggregate impact of the proposed reductions from 25% to 22% would reduce the deferred tax assets by approximately £1.0m.

(d) Deferred tax

Group

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

	2011	2010
Included in debtors: amounts falling due within one year (Note 10)	1.8	1.2
Included in defined benefit pension liability (Note 20)	6.6	4.1
	8.4	5.3
Other short term timing differences	0.8	0.6
Decelerated capital allowances	1.0	0.6
Pension costs	6.6	4.1
Deferred tax asset	8.4	5.3
At 1 January including deferred tax on defined benefit pension liability	5.3	6.2
Deferred tax credit / (charge) in profit and loss account	0.1	(0.9)
Amount credited to statement of total recognised gains and losses	3.0	–
At 31 December including deferred tax on defined benefit pension liability	8.4	5.3

Company

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

	2011	2010
Included in debtors: amounts falling due within one year (Note 10)	1.0	0.9
Included in defined benefit pension liability (Note 20)	6.6	4.1
Deferred tax asset	7.6	5.0

Notes to the accounts

Amounts in millions of pounds

7. Taxation (continued)

	2011	2010
At 1 January including deferred tax on defined benefit pension liability	5.0	6.4
Deferred tax charge in profit and loss account	(0.4)	(1.4)
Amount credited to statement of total recognised gains and losses	3.0	–
At 31 December including deferred tax on defined benefit pension liability	7.6	5.0

8. Tangible fixed assets

Group	Short leasehold property	Plant, machinery & vehicles	Fixtures & office equipment	Total
Cost:				
At 1 January 2011	1.1	14.4	11.8	27.3
Impairment	–	(0.1)	–	(0.1)
Additions	–	0.7	1.1	1.8
Disposals	–	(1.4)	(3.4)	(4.8)
At 31 December 2011	1.1	13.6	9.5	24.2
Depreciation:				
At 1 January 2011	0.6	9.8	9.1	19.5
Charge for the year	0.1	2.0	1.4	3.5
Disposals	–	(1.3)	(3.4)	(4.7)
At 31 December 2011	0.7	10.5	7.1	18.3
Net book value:				
At 31 December 2011	0.4	3.1	2.4	5.9
At 31 December 2010	0.5	4.6	2.7	7.8

Plant, machinery and vehicles includes plant and machinery with a net book value of £2.8m (2010: £4.3m) which are held with the group acting as lessor. These assets are depreciated evenly over their expected useful lives at rates of 8.33% to 60.00%. These assets have accumulated depreciation of £8.8m (2010: £8.1m).

Notes to the accounts

Amounts in millions of pounds

8. Tangible fixed assets (continued)

Company	Short leasehold property	Fixtures & office equipment	Total
Cost:			
At 1 January 2011	1.1	11.8	12.9
Additions	–	1.1	1.1
Disposals	–	(3.4)	(3.4)
At 31 December 2011	1.1	9.5	10.6
Depreciation:			
At 1 January 2011	0.6	9.1	9.7
Charge in the year	0.1	1.4	1.5
Disposals	–	(3.4)	(3.4)
At 31 December 2011	0.7	7.1	7.8
Net book value:			
At 31 December 2011	0.4	2.4	2.8
At 31 December 2010	0.5	2.7	3.2

Notes to the accounts

Amounts in millions of pounds

9. Investments

Investments in subsidiary undertakings

Company	2011	2010
At 1 January	67.6	73.4
Additions	15.0	–
Recapitalisations	13.6	–
Impairments	(14.8)	–
Revaluation surplus / (deficit)	4.8	(5.8)
At 31 December	86.2	67.6

The group's principal subsidiaries and associated undertaking at 31 December 2011 are listed in note 23.

The company has been unable to fully substantiate the historical cost value of all the subsidiary investments.

Where a subsidiary has net liabilities, BAM Construct UK Limited has agreed to provide financial support to enable the subsidiary to meet third party liabilities as they fall due for a period until at least one year from the date of approval of the subsidiary's accounts.

Notes to the accounts

Amounts in millions of pounds

10. Debtors

	Group 2011	Company 2011	Group 2010	Company 2010
Amounts falling due within one year				
Amounts recoverable on contracts	14.8	–	10.2	–
Trade debtors	112.6	–	87.3	–
Amounts due from parent and fellow subsidiary undertakings	113.8	107.0	119.7	105.4
Amounts due from subsidiary undertakings	–	1.5	–	8.6
Other debtors	1.6	0.3	1.2	0.2
Prepayments and accrued income	34.4	1.1	36.2	0.3
Deferred tax asset	1.8	1.0	1.2	0.9
Corporation tax	0.2	2.5	–	3.6
VAT	3.2	3.2	–	–
	282.4	116.6	255.8	119.0
Amounts falling due after more than one year				
Trade debtors	14.8	–	16.1	–
Amounts due from subsidiary undertakings	–	–	–	17.8
	14.8	–	16.1	17.8

Amounts due from parent and fellow subsidiary undertakings includes £102.8m on deposit with Royal BAM Group (2010: £101.8m) which is repayable on demand.

11. Cash at bank and in hand

The total group cash at bank and in hand includes £2.5m (2010: £2.3m) which is not available for utilisation without prior agreement of third parties. In addition, £4.5m (2010: £4.5m) of a subsidiary company's cash balance is held as security for the Solihull property development loan.

12. Creditors

	Group 2011	Company 2011	Group 2010	Company 2010
Amounts falling due within one year				
Non-recourse bank loans (note 13)	1.3	–	41.7	–
Payments on account	31.4	–	46.3	–
Accrual for foreseeable losses	41.0	–	13.6	–
Trade creditors	63.2	–	45.9	–
Amounts due to parent and fellow subsidiary undertakings	0.2	–	0.4	–
Amounts due to subsidiary undertakings	–	87.8	–	106.0
Corporation tax	–	–	0.2	–
Value added tax	–	–	0.8	0.8
Other taxation and social security	4.1	3.9	4.3	4.3
Other creditors	2.9	0.1	4.3	3.5
Accruals and deferred income	202.0	8.2	253.0	3.8
	346.1	100.0	410.5	118.4

Notes to the accounts

Amounts in millions of pounds

12. Creditors (continued)

	Group 2011	Company 2011	Group 2010	Company 2010
Amounts falling due after more than one year				
Non-recourse bank loans (note 13)	61.4	–	33.9	–
Trade creditors	10.1	–	10.2	–
	71.5	–	44.1	–

13. Non-recourse bank loans

The group has non-recourse loans which are secured on property development and are reported within creditors. In respect of non-recourse loans, group undertakings are not obliged, nor do they intend, to support any losses. The terms of the finance agreements provide that the lenders will seek repayment of the finance only to the extent that sufficient funds are generated by the specific property assets financed and they will not seek recourse to group undertakings in any other form.

Group	2011	2010
Amounts falling due within 1 year		
Gross loan	1.3	41.8
Less: Issue costs	–	(0.1)
	1.3	41.7

As at 31 December 2011, the loan repayable in 2012, which was advanced by Clydesdale Bank, was raised for and secured against a development in Edinburgh.

As of 31 December 2010, the loans repayable in 2011, which were advanced by the Bank of Scotland, were raised for and secured against developments in Glasgow, Leeds, Chiswick and High Wycombe. The development loan in respect of High Wycombe was refinanced in March 2011 and now has a repayment date of February 2014. The development loan in respect of Chiswick was refinanced and increased in December 2011 and now has a repayment date of November 2014. The development loans in respect of Glasgow and Leeds were repaid during 2011.

Group	2011	2010
Amounts falling due after more than one year		
Gross loan	61.8	34.1
Less: Issue costs	(0.4)	(0.2)
	61.4	33.9
Bank loans repayable between 1 & 2 years	32.8	–
Bank loans repayable between 2 & 5 years	28.6	33.9
	61.4	33.9

As at 31 December 2011, the loans which were repayable between 1 and 2 years, were advanced by the Bank of Scotland and the Clydesdale Bank and were raised for and secured against property developments in Edinburgh, Manchester and Solihull. In addition £4,500,000 of a subsidiary company's cash balance is held as security for the Solihull property development loan.

As at 31 December 2011, the loans which were repayable between 2 and 5 years, were advanced by the Bank of Scotland and were raised for and secured against property developments in Chiswick and High Wycombe.

Notes to the accounts

Amounts in millions of pounds

13. Non-recourse bank loans (continued)

As at 31 December 2010, the loans which were repayable between 2 and 5 years, were advanced by the Bank of Scotland and the Clydesdale Bank and were raised for and secured against property developments in Edinburgh, Manchester and Solihull. In addition £4,500,000 of a subsidiary company's cash balance is held as security for the Solihull property development loan.

Company

As at 31 December 2011, no loans were advanced in respect of assets held by the company (2010: nil).

14. Provisions for liabilities and charges

	Deferred taxation	Other liabilities	2011 Total	2010 Total
Group				
At 1 January	–	1.1	1.1	1.4
Utilised during the year	–	(0.2)	(0.2)	–
Released during the year	–	(0.3)	(0.3)	(0.3)
At 31 December	–	0.6	0.6	1.1

Other liabilities comprise obligations in respect of the insolvency of one of the group's insurers and a provision for a loss-making contract and claims for lease dilapidations. There are no unprovided deferred taxation liabilities.

The timings of the transfer of benefits for the obligations arising from the insurance insolvency are uncertain.

	2011 Other liabilities	2010 Other liabilities
Company		
At 1 January	0.9	1.0
Utilised during the year	(0.2)	–
Released during the year	(0.1)	(0.1)
At 31 December	0.6	0.9

This liability comprises obligations in respect of the insolvency of one of the company's insurers and claims for lease dilapidations.

The timings of the transfer of benefits for the obligations arising from the insurance insolvency are uncertain.

No provision for deferred tax has been made in respect of the revaluation of the company's investment in subsidiary undertakings as there is no binding agreement to dispose of these assets.

Notes to the accounts

Amounts in millions of pounds

15. Called up share capital

	2011	2010
Authorised, allotted, called up and fully paid: 40,000,000 ordinary shares of £1 each	40.0	40.0

16. Dividends

	2011	2010
Dividends on ordinary shares Final declared and paid of £0.24 per share (2010: £0.12 per share)	9.7	4.7

17. Reconciliation of shareholder's funds and movements on reserves

Group	Share capital	Profit & loss account	Total
Shareholder's funds at 1 January 2010	40.0	89.7	129.7
Profit attributable to shareholder	–	13.8	13.8
FRS 17 Actuarial loss net of related current and deferred tax	–	(4.5)	(4.5)
Dividend declared and paid	–	(4.7)	(4.7)
Shareholder's funds at 31 December 2010	40.0	94.3	134.3
Profit attributable to shareholder	–	7.9	7.9
FRS 17 Actuarial loss net of related current and deferred tax	–	(18.5)	(18.5)
Dividend declared and paid	–	(9.7)	(9.7)
Shareholder's funds at 31 December 2011	40.0	74.0	114.0

Company	Share capital	Revaluation of shares in subsidiary undertakings	Profit & loss account	Total
Shareholder's funds at 1 January 2010	40.0	67.4	22.3	129.7
Profit attributable to shareholder	–	–	19.6	19.6
Deficit on revaluation of subsidiary undertakings	–	(5.8)	–	(5.8)
FRS 17 Actuarial loss net of related current and deferred tax	–	–	(4.5)	(4.5)
Dividend declared and paid	–	–	(4.7)	(4.7)
Shareholder's funds at 31 December 2010	40.0	61.6	32.7	134.3
Profit attributable to shareholder	–	–	3.1	3.1
Profit on revaluation of subsidiary undertakings	–	4.8	–	4.8
FRS 17 Actuarial loss net of related current and deferred tax	–	–	(18.5)	(18.5)
Dividend declared and paid	–	–	(9.7)	(9.7)
Shareholder's funds at 31 December 2011	40.0	66.4	7.6	114.0

The profit attributable to the shareholder of the parent company is £3.1m (2010: profit of £19.6m).

Notes to the accounts

Amounts in millions of pounds

18. Obligations under non-cancellable operating leases

At 31 December 2011, the group had annual commitments under non-cancellable operating leases comprising:

	2011	2010
Land and buildings		
Leases terminating:		
Within one year	0.2	–
In two to five years	0.6	0.4
In over five years	1.7	2.0
	2.5	2.4

	2011	2010
Other		
Leases terminating:		
Within one year	0.2	0.2
In two to five years	0.4	0.6
	0.6	0.8

At 31 December 2011, the company had annual commitments under non-cancellable operating leases comprising:

	2011	2010
Land and buildings		
Leases terminating:		
Within one year	–	–
In two to five years	0.2	0.2
In over five years	1.7	1.8
	1.9	2.0

Notes to the accounts

Amounts in millions of pounds

19. Contingent liabilities

- (a) There are contingent liabilities in respect of performance bonds and supplier guarantees given in the normal course of business. The directors do not consider that these will have any significant impact on the results of the business.
- (b) The group is party to various litigation arising in the ordinary course of business. Provision has been made within the accounts where necessary. The directors are of the view that other claims will have no significant impact on the results of the group.
- (c) The company, along with other group companies, has provided a guarantee against a €200 million (2010: €200 million) subordinated term loan and a guarantee against a €475 million (2010: €475 million) committed credit facility and a €360 million (2010: €360 million) term loan facility advanced to its ultimate parent undertaking, Royal BAM Group n.v. The amount of the subordinated term loan outstanding at the year end was €200 million (2010: €200 million); the amount drawn under the committed credit facility at the year end was €nil (2010: €nil); and the amount drawn under the term loan facility was €360 million (2010: €360 million).
- On 1st February 2012, Royal BAM Group n.v. renewed the subordinated term loan (€125 million) and obtained a new committed credit facility (€500 million). These new loan facilities replace those originally in place as described above. The company, along with other group companies, has provided guarantees against these loans advanced to Royal BAM Group n.v. The directors are satisfied that Royal BAM Group n.v. is currently able to fulfil all its obligations under these agreements without recourse to any of the Guarantors.
- (d) The company has agreed to provide financial support to ensure the continuing operation of certain subsidiaries, which is not expected to give rise to any material loss that has not already been provided for in the accounts.
- (e) 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 NatWest Bank PLC. At 31 December 2011 there was an overdraft balance in BAM Group (UK) Limited, the company's immediate parent undertaking, which is one of the companies in the cash pooling facility, of £69.5 million (2010: £70.3 million). The net overdraft position in the cash pooling facility as at 31 December 2011 was £nil (2010: £nil). This guarantee is not expected to give rise to any loss.
- (f) 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 2011 there were overdraft balances in a number of group companies in the cash pooling facility amounting to £66.6 million (2010: £61.4 million). The net overdraft position in the cash pooling facility as at 31 December 2011 was £nil (2010: £nil). This guarantee is not expected to give rise to any loss.

Notes to the accounts

Amounts in millions of pounds

20. Pension commitments

The two main pension schemes operated by the group ('HBG UK scheme' and 'HBG GA scheme'), both of which are closed to new members, are funded final salary schemes providing defined benefits. The assets of the schemes are held separately in trustee administered funds. The contributions are determined by qualified actuaries on the basis of triennial valuations.

The date of the most recent triennial valuation for both schemes is as at 1 January 2009, and the formal actuarial reports were submitted to the Pension Regulator in May 2010. Both the HBG UK scheme and the HBG GA scheme were valued using the projected unit method. The valuation due at 1 January 2012 has commenced, but the outcome was not known at the time of preparing these accounts.

From 23 August 2004, the HBG UK and GA schemes were closed to new members. From that date the company opened a Legal & General defined contribution pension scheme for new members of staff. Both schemes closed to future accrual for existing members on 31 October 2010 where only a link to final salary remains. Members were invited to participate in the Legal & General defined contribution pension scheme from that date.

The group also participates in eight defined benefit schemes under 'TUPE' arrangements all being either within the Local Government Pension Scheme ('LGPS') or the Federated Pension Plan Scheme ('FPP') collectively referred to as 'TUPE schemes':

- Lothian Scheme (LGPS)
- Cheshire Scheme (LGPS)
- Bath & North East Somerset Council (Bristol Schools) Scheme (LGPS)
- West Sussex County Council (Crawley Schools) Scheme (LGPS)
- The Strathclyde Pension Fund Scheme (LGPS)
- Federated Pension Plan (FPP) for East Ayrshire Community Hospital
- Worcestershire County Council Pension Fund (Bromsgrove Schools) Scheme (LGPS)
- Solihull Schools Scheme (LGPS)

These schemes are multi-employer schemes, where the group has 'Admitted Body' status as a participating employer, with minority participation. For most of the schemes, the information available from the respective scheme activities relates to the overall scheme valuations rather than for the group's participation as an Admitted Body. As such, with the exception of the Federated Pension Plan and the Lothian Scheme, the group is unable to identify its share of the assets and liabilities in these schemes on a reasonable and consistent basis. The group has therefore accounted for these schemes as defined contribution schemes in accordance with the treatment permitted by FRS 17. The dates of the latest triennial valuations of these schemes completed and available and the total scheme valuations reported at the valuation dates are:

	Date	Total deficit
• Lothian Scheme	31 March 2011	£(2,000)
• Cheshire Scheme	31 March 2010	£(600)m
• Bath & North East Somerset Council (Bristol Schools) Scheme	31 March 2010	£(552)m
• West Sussex County Council (Crawley Schools) Scheme	31 March 2010	£(288)m
• The Strathclyde Pension Fund (East Renfrewshire Schools) Scheme	31 March 2008	£(486)m
• Federated Pension Plan for East Ayrshire Community Hospital	5 April 2010	£(216,000)
• Worcestershire County Council Pension Fund (Bromsgrove Schools) Scheme	31 March 2010	£(613)m
• Solihull Schools Scheme	31 March 2010	£(2,614)m

With the exception of the Federated Pension Plan and the Lothian Scheme, these valuations are for the total of each scheme. The deficits reported for the Federated Pension Plan and the Lothian Scheme are the group's share relating to its participating employees. The number of participating group employees is small within each scheme and as such the group considers the potential impact on the group of the deficits in the schemes to be minimal.

Notes to the accounts

Amounts in millions of pounds

20. Pension commitments (continued)

Up to the point of closure to future accrual the group contributed at various rates of pensionable salaries. These rates were reviewed and were amended with effect from 1 June 2010 following the conclusion of the triennial valuation carried out as at 1 January 2009.

In addition, and following the conclusion of the actuarial calculations, the company made a special contribution of £12,000,000 in 2011. The company has also agreed to make further special contributions of £12,020,000 in 2012; and payments of £10,080,000 in each of 2013, 2014 and 2015.

The pension contributions made by the company during the year and the amounts outstanding at 31 December were:

	Contributions in the year		Amounts outstanding	
	2011	2010	2011	2010
HBG UK / HBG GA Schemes – ordinary contribution	0.6	6.3	–	–
– special contribution	12.0	12.0	–	–
– total	12.6	18.3	–	–

During the year, the company made contributions of £8,865,000 (2010: £2,366,000) to the Legal & General defined contribution scheme and contributions of £152,000 (2010: £155,000) to the TUPE schemes. The amounts outstanding at the year end were £695,000 (2010: £720,000).

The company's best estimate of contributions including special contributions expected to be paid to the HBG UK and GA pension schemes in 2012 is £12,570,000.

The valuation used for the following disclosures has been based upon the most recent triennial actuarial valuations and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the two schemes at 31 December 2011 and 31 December 2010. The assessment of the liabilities at 31 December 2011 and 2010 has been based upon the latest triennial valuations at 1 January 2009. The main assumptions used by the actuaries were:

HBG UK / GA schemes

	2011	2010		
The principal assumptions used by the actuaries were:				
Discount rate	4.70%	5.40%		
Future salary increases	4.55%	4.90%		
Future pension increases	2.95%	3.25%		
Inflation assumption	3.05%	3.40%		
Revaluation in deferment	2.25%	2.90%		
	2011	2011	2010	2010
	Years	Years	Years	Years
Assumed life expectancies on retirement at age 65 are:	HBG UK	HBG GA	HBG UK	HBG GA
Retiring today				
Males	21.7	22.7	21.6	22.6
Females	23.7	25.0	23.6	24.9
Retiring in 20 years time				
Males	23.7	25.0	23.6	24.9
Females	25.6	27.4	25.5	27.3

Notes to the accounts

Amounts in millions of pounds

20. Pension commitments (continued)

The change in the fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the change in the present value of the benefit obligations, which are derived from cash flow projections over long periods and thus inherently uncertain, are as follows:

HBG UK / GA schemes	2011	2010
	£m	£m
Change in benefit obligation		
Present value of benefit obligation at beginning of year	287.3	255.0
Current service cost	–	5.2
Interest cost	15.3	14.5
Plan participants' contributions	–	2.0
Actuarial loss	25.2	19.4
Benefits paid	(7.8)	(8.8)
Present value of benefit obligation at end of year	320.0	287.3
Change in plan assets		
Fair value of plan assets at beginning of year	272.2	232.3
Expected return on plan assets	16.5	15.3
Actuarial gain on plan assets	0.1	13.1
Employer contributions	12.6	18.3
Plan participants' contributions	–	2.0
Benefits paid	(7.8)	(8.8)
Fair value of plan assets at end of year	293.6	272.2
Funded position as at 31 December	(26.4)	(15.1)

Notes to the accounts

Amounts in millions of pounds

20. Pension commitments (continued)

The amounts recognised in the balance sheet are as follows:

HBG UK / GA schemes	2011	2010
	£m	£m
Present value of benefit obligation	(320.0)	(287.3)
Fair value of plan assets	293.6	272.2
Gross deficit	(26.4)	(15.1)
Deferred tax asset	6.6	4.1
Net liability in the balance sheet	(19.8)	(11.0)

The amounts recognised in the profit and loss account are as follows:

HBG UK / GA schemes	2011	2010
	£m	£m
Current service cost	–	5.2
Expected return on plan assets	(16.5)	(15.3)
Interest on benefit obligations	15.3	14.5
Total cost (credited) / charged to the profit and loss account	(1.2)	4.4

The current service cost is included in the profit and loss account within operating and other administrative expenses. The net cost on financing of pension deficit, being the net of the expected return on plan assets and the interest on plan obligations, is included in the profit and loss account within interest payable and similar charges.

Actual return on plan assets	16.6	28.4
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The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) are as follows:

HBG UK / GA schemes	2011	2010
	£m	£m
Actuarial loss - gross	(25.1)	(6.3)
Actuarial loss - current tax credit	3.6	1.8
Actuarial loss - deferred tax credit	3.0	–
Total loss recognised	(18.5)	(4.5)

The cumulative amount of actuarial losses recognised in the STRGL are:	(98.6)	(73.5)
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Notes to the accounts

Amounts in millions of pounds

20. Pension commitments (continued)

The major categories of plan assets by value are as follows:

HBG UK / GA schemes

	2011		2010	
	Value £m	Expected rate of return	Value £m	Expected rate of return
Equities	94.0	7.0%	106.6	7.2%
Properties	17.2	7.0%	16.2	7.2%
Fixed interest	–	3.5%	8.4	4.2%
Index linked gilts	19.0	3.5%	7.0	4.2%
Corporate bonds	40.6	4.7%	39.1	5.4%
Liability hedge	75.0	3.0%	53.4	4.2%
Dynamic asset allocation	46.2	7.0%	41.0	7.2%
Cash and other	1.6	0.5%-0.6%	0.5	0.5%-0.6%
Total fair value of plan assets	293.6		272.2	

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

	2011	2010
Expected overall long-term returns on plan assets		
HBG UK	5.35%	6.20%
HBG GA	4.64%	6.11%

The amounts for the current period and the previous four periods are as follows:

HBG UK / GA schemes

Amounts in millions of pounds

	2011	2010	2009	2008	2007
Present value of the benefit obligation at end of year	(320.0)	(287.3)	(255.0)	(203.0)	(217.7)
Fair value of the plan assets at end of year	293.6	272.2	232.3	196.5	212.9
Gross deficit	(26.4)	(15.1)	(22.7)	(6.5)	(4.8)
Experience adjustments (loss) / gain on benefit obligation	6.1	0.7	(4.9)	(5.4)	(2.6)
Experience adjustments gain / (loss) on plan assets	0.1	13.1	15.9	(41.2)	(1.7)

21. Related party transactions

The group has taken advantage of the exemptions of FRS 8 not to disclose details of transactions between wholly owned undertakings of Royal BAM Group n.v. which prepares consolidated financial statements.

Notes to the accounts

Amounts in millions of pounds

22. Immediate and ultimate parent undertaking and controlling party

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 (and smallest) group of which the company is a member and for which group accounts are prepared) are available from this company's registered office. The immediate parent undertaking is BAM Group (UK) Limited, a company incorporated in England and Wales.

23. Principal subsidiary undertakings and associated undertaking

Except where indicated, all companies are wholly owned, are included in the consolidated accounts, have 31 December year ends, are incorporated in Great Britain and registered in England and Wales, and operate within the United Kingdom.

In order to prevent a statement of excessive length, only the principal subsidiary undertakings and associated undertaking have been included.

Subsidiary undertakings

BAM Construction Limited	Building contracting
BAM Design Limited †	Design services
BAM Properties Limited	Property development
HBG Parklands SPV Limited †	Property development
BAM Swindon Limited †	Property development
BAM Monk Bridge Limited †	Property development
BAM Buchanan Limited **†	Property development
HBG Haymarket 3 Limited **†	Property development
BAM Glory Mill Limited †	Property development
BAM Cadogan Limited **	Property development
BAM Princes Street Limited **†	Property development
BAM Chiswick Limited †	Property development
BAM Solihull Limited †	Property development
BAM Queen Street Limited **†	Property development
BAM FM Limited *	Services

Associated undertaking

Discovery Quay Development Limited (33%) **†	Property development
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* registered in Scotland † owned by subsidiary companies

Regional offices

BAM Construct UK Limited

(Head office)

Breakspear Park
Breakspear Way
Hemel Hempstead
Hertfordshire HP2 4FL
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F 01442 238 301

Midlands

Holly Grange
Holly Lane
Balsall Common
Coventry CV7 7EB
T 01676 536 300
F 01676 536 381

BAM Construction Limited

Scotland

Kelvin House
Buchanan Gate Business Park
Stepps
Glasgow G33 6FB
T 0141 779 8888
F 0141 779 8889

Western

Millennium Gate
Gifford Court
Fox Den Road
Stoke Gifford
Bristol BS34 8TT
T 0117 944 8800
F 0117 944 8855

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597 Calder Road
Pentland Gait Office Park
Edinburgh EH11 4HJ
T 0131 458 2000
F 0131 458 2001

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F 029 2046 1647

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F 01392 412 886

North East

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Thorpe Park
Leeds LS15 8ZB
T 0113 290 8800
F 0113 290 8801

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Poole BH17 7BX
T 01202 606 290
F 01202 606 291

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Fifth Avenue Business Park
Team Valley Trading Estate
Gateshead
Tyne & Wear NE11 OHF
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South East

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F 01727 818 852

North West

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London

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F 020 7374 3601

BAM Construction Limited

– Plant

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Northamptonshire NN8 4BB
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F 01933 232 009

North East

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Dewsbury
West Yorkshire WF12 7JG
T 01132 538 071
F 01132 527 709

BAM Properties Limited

Scotland

183 St Vincent Street
Glasgow G2 5QD
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F 0141 222 1201

North West

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Regent Road
Salford
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F 0161 877 6871

Western

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Fox Den Road
Stoke Gifford
Bristol BS34 8TT
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F 0117 944 8855

London and South East

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F 020 7374 3601

BAM Design

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Hertfordshire AL1 2RD
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BAM FM Limited

Kelvin House
Buchanan Gate Business Park
Stepps
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Breakspear Park
Breakspear Way
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Hertfordshire HP2 4FL
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