

2011



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6874/01/12



construction

report and accounts

BAM Construction Limited

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Report and Accounts 2011

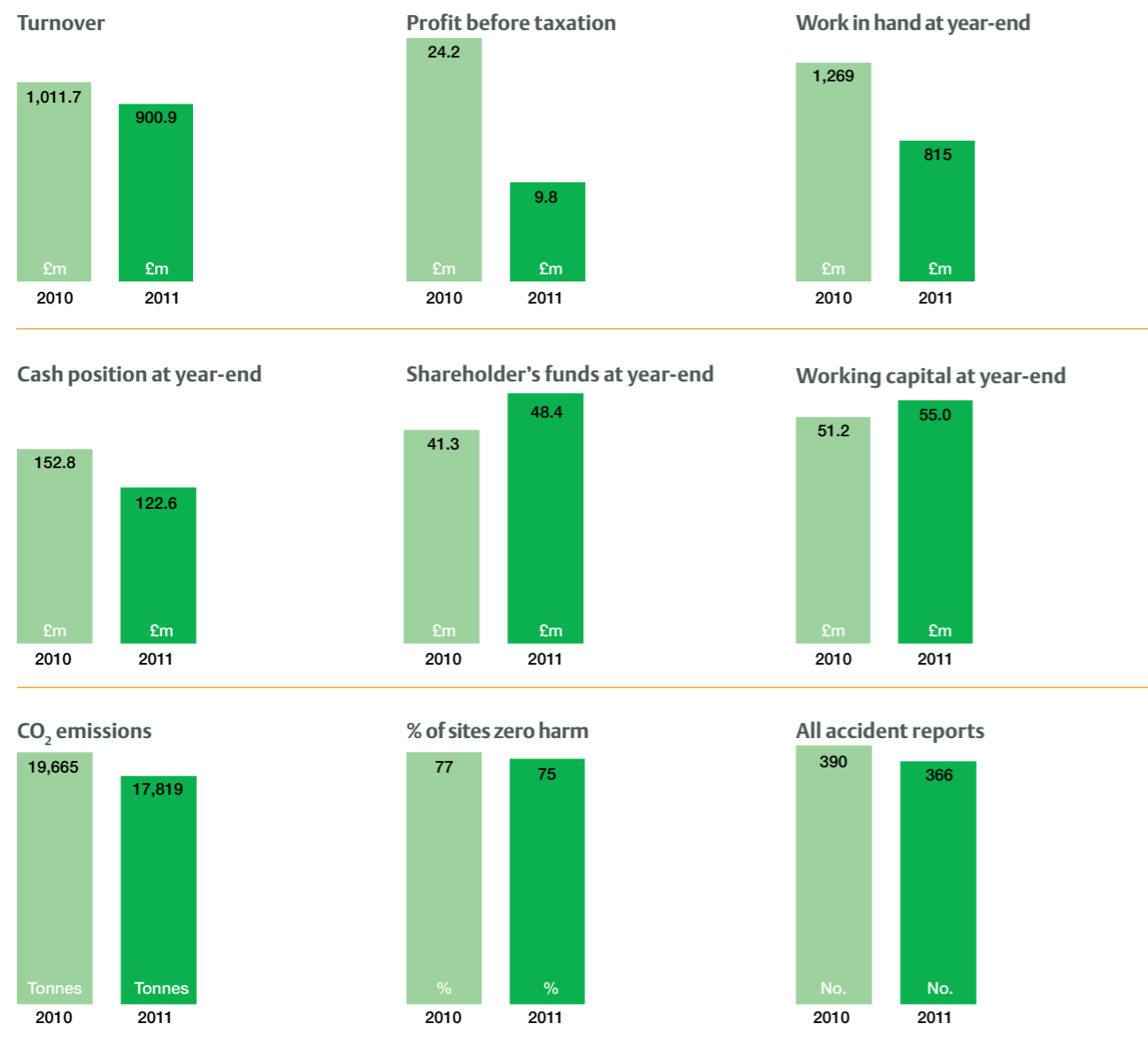
Contents

Highlights	2
Business review	3
Sustainability report	5
Directors' report	8
Statement of directors' responsibilities	12
Independent auditor's report	13
Profit and loss account	14
Statement of total recognised gains and losses	14
Balance sheet	15
Notes to the accounts	16 – 23
Regional offices	24

Highlights

BAM Construction Limited is the UK construction company of Dutch based Koninklijke BAM Groep n.v. ('Royal BAM Group') working within the BAM Construct UK Limited group of companies. Turnover in excess of £900m in 2011, producing a profitable performance and continued strong cash balances, make the company one of the largest construction companies in the UK.

Review of the business



Business review



The Riverside Museum, Glasgow (Scotland's museum of transport and travel)

BAM Construction

BAM Construction Limited ('BAM Construction') ('the company') is the largest business within the BAM Construct UK Limited group ('the group'). The company produced turnover of £900.9m generating a strong operating result of £8.2m, a 0.9% margin. The company also continues to report strong cash balances reflecting strong management of liquidity throughout the business.

The company 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 also 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 Laboratories for Molecular and Biological Research 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 leSE framework in the South East of the UK, and on all of 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.

The company 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 and successful 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.

Business review



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.

Design

BAM Design Limited is the fellow subsidiary undertaking of BAM Construct UK Limited undertaking design commissions not only in support of BAM Construction projects, but also for design only clients. With effect from 1 January 2012, the directors decided to make BAM Design a separate, independent trading division of BAM Construction Limited.

Sustainability report



table in recognition of our work to manage and reduce our carbon emissions.

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 regards 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 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 14.0% on the equivalent figure for 2010.

Environmental sustainability

The group's total carbon footprint reduced by 1,846 tonnes CO₂, a 9.4% decrease compared to 2010. 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 Royal BAM Group's civil engineering company in Britain, 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.

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.

Doing business responsibly

BAM Construction supports the activities of BAM Construct UK on the 'Corporate Social Responsibility' agenda. 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.

The company contributed to the group's 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. The BAM Construct UK group 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

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.

Social sustainability

Group contributions towards the total community, totalling £568,309 included those from BAM Construction. This is made up of employee time, monetary and in-kind donations. This is a 21.6% year on year increase. Additionally, there was £74,029 from the group in mandatory community contributions, which has 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, members of staff 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:

- London region who received a National 'Big Tick' for Work Inspiration awarded by Business in the Community.
- South East region 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 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 group employees

The group began to exploit the potential of social media in 2011 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 BAM Construction projects. We have 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.



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 more 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 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, Control of Substances Hazardous to Health (COSHH), 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 BAM companies. Four management development programmes were staged in

Roffey Park to develop the potential of employees at various levels.

Thought leadership

The board is keen that the company should continue to work with the group to 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 Construction 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.

Directors' report

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

This directors' report should be read in conjunction with the Business Review 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.

Company results

The profit before taxation for the year was £9.8m (2010: £24.2m). After taxation, the profit attributable to the shareholder was £7.0m (2010: £18.2m). During the year a dividend of £nil was declared and settled (2010: £15.0m).

Principal activities

The principal activities of BAM Construction and its subsidiary undertakings are design and construct contracting, traditional building and the provision of services engineering in the United Kingdom.

The company's ultimate parent undertaking is Royal BAM Group, incorporated in The Netherlands.

Promoting the success of the Company

The directors kept the progress of BAM Construction under close scrutiny throughout the continuing difficult market conditions in 2011, adjusting the company's strategy to changing circumstances and setting appropriate targets for the individual business units and senior managers. 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 BAM 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 a more dynamic engagement with stakeholders. Supporting this we have commenced daily 'tweets' on Twitter communicating news on project awards and other news.

BAM Nuttall Ltd and BAM PPP UK Ltd

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

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 we were awarded a further project in York. These projects

add to that already underway in Milton Keynes where BAM Construction is building a national centre for Network Rail.

BAM Construction continues to work closely with BAM PPP. 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 amongst the last two projects under this procurement model before the coalition government closed it. However, the company is currently working in partnership with BAM PPP examining PFI procurement opportunities in both schools and healthcare as these come to the market.

Future developments

While 2011 has been a successful year for the company, the directors are aware that the short to medium term will be highly challenging. They continue to monitor closely trends and forecasts for demand in the various streams of its businesses and developments in the economy generally.

Health and education will remain key markets. However the directors are aware that these markets are susceptible to decreases in public spending. The directors consider that the successful strategy to date of winning places on frameworks remains the best way of alleviating this risk and ensuring that the company is best placed to compete successfully for available work in the public sector. The company will also seek to promote its reputation for delivering corporate work to some of the leading organisations in British industry and promoting its capacity in refurbishment and retrofitting.

Although bidding will remain extremely competitive, the directors will continue to price carefully, aware of the risks of cost inflation and will seek competitive advantage by offering added value to clients rather than reduced pricing. A key element in delivering this will be to continue to develop the integrated offering of the wider BAM Construct UK group with features such as sustainable design, innovative value engineering and construction techniques, and excellent commissioning and management of buildings. The company will continue to develop its expertise on sustainability and its reputation for taking an honest and 'can-do' approach to doing business with its clients.

The benefits and synergies of all the Royal BAM Group companies in the UK adopting the Royal BAM Group brand are apparent to the directors. The company worked collaboratively with a number of Royal BAM Group companies in 2011 sharing expertise, and drawing on experience across Royal BAM to assist with work in the UK. The directors expect that this trend will grow in the years ahead and that the company will continue, in particular, to work more closely with BAM Nuttall and BAM PPP in the UK.

Directors' report

Subsidiaries

The principal activities of subsidiary undertakings are shown in note 10 to the accounts.

Qualifying third party indemnity provisions for directors

The company'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

The following served as directors of BAM Construction during the year ended 31 December 2011:

- R Bailey
- S G P Byrne
- G Cash
- N J Comben
- J R Dakin
- R Ellis
- K Irving – appointed 1 March 2011
- S J Tapson
- J W R Wimpenny

Payment Policy

While the company does not follow a specific payment code, it is the company's policy that payments are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2011, the company had an average of 31 days (2010: 19 days) purchases outstanding in trade creditors (including trade creditors due in greater than one year). BAM Construction has a proactive policy of supportive management of its supply chain.

Financial risk management

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

The company 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 high quality financial institutions. In line with normal business practice, the company operates credit management procedures.

BAM Construction, along with other group companies, 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

Construction assist the company in being able to undertake and support a variety of projects through all stages from bidding to completion. Within this process, timely and accurate payments to our supply chain assist in ensuring delivery of best value for our clients over sustained time periods.

Price risk is considered at a company 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 company 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 company and also by the Board of BAM Construct UK. In the light of the downturn in the UK economy, the company 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 company 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.

The company continues to monitor the economic situation on an ongoing basis to be able to ensure the business is positioned to meet the needs of the market.

Competitive risks

The company is exposed to typical commercial risks experienced by commercial organisations operating within the same competitive construction markets in the UK.

The company 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 company also operates a highly selective approach to bid selection, which includes maximising opportunities for framework contracts and negotiated projects.

Business continuity

There were no events during 2011 that posed a threat to the continuity of the business. During 2011, an externally hosted test of the company's business continuity plan was conducted, which has enabled us to incorporate further refinements.

Directors' report

Legislative risks

The company 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.

This is achieved through established best practice procedures that are available to all employees on the company's intranet and through specific training courses. The company also makes use of specialists within the wider BAM Construct UK group 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 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 company.

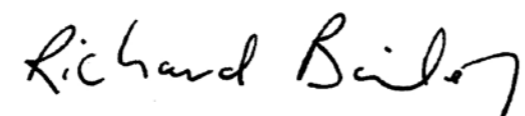
After considering the above points, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

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 company'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.

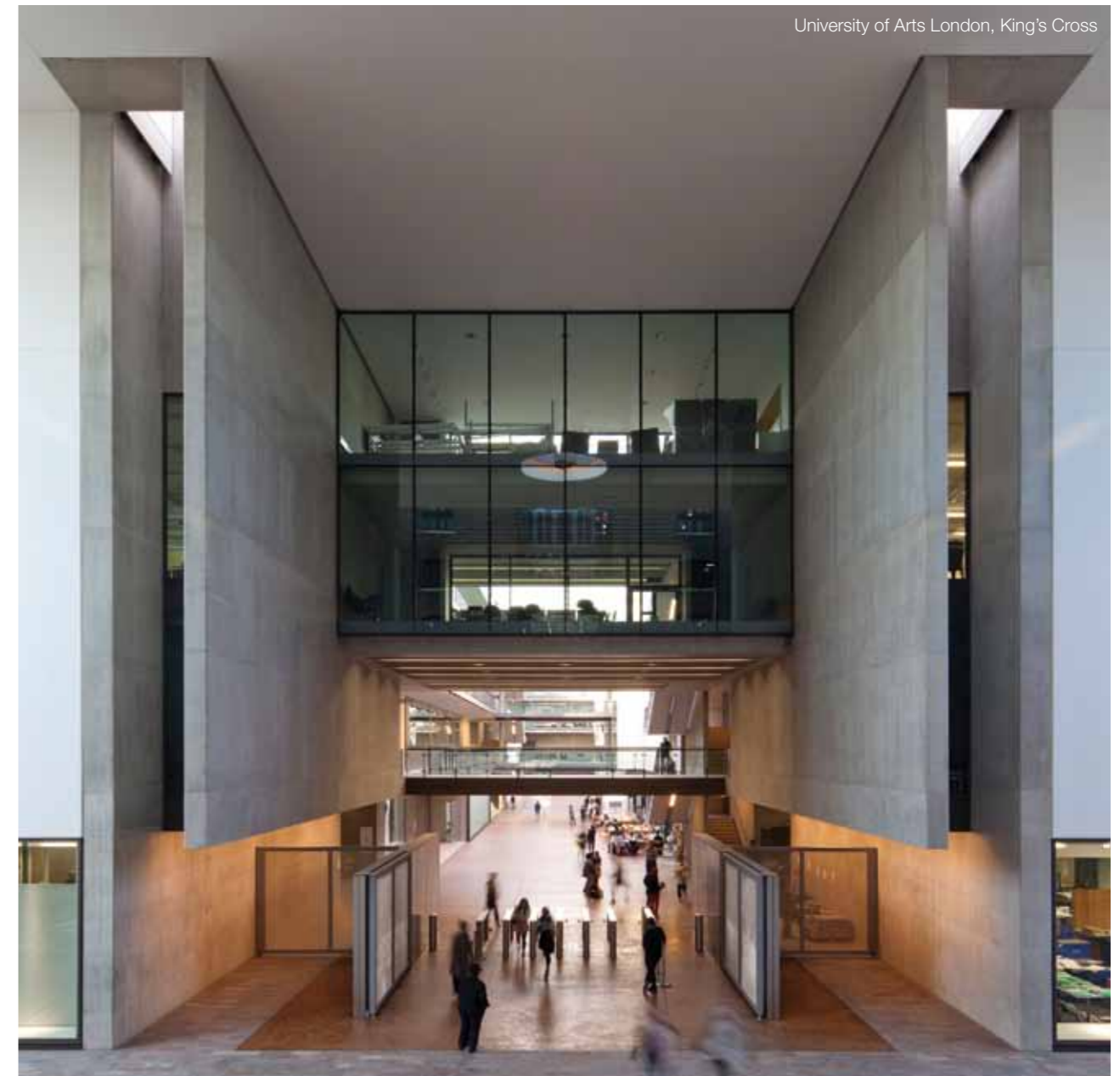
Auditors

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.



Richard Bailey
Director
17 April 2012

University of Arts London, King's Cross



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 company and of the profit or loss of the company 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 company's transactions and disclose with reasonable accuracy at any time the financial position of 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 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 Construction Limited

We have audited the accounts of BAM Construction Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 19. 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 12, 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 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 Highlights, Business Review, Sustainability Report and Directors' Report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Notes:

1. 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.
2. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Opinion on accounts

In our opinion the accounts:

- Give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

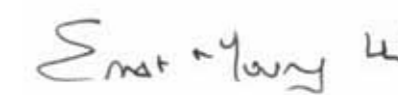
Opinion on other matter prescribed by the Companies Act 2006

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, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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

Profit and loss account

Amounts in millions of pounds

For the year ended 31 December	Notes	2011	2010
Turnover	2	900.9	1,011.7
Cost of sales		(853.2)	(956.8)
Gross profit		47.7	54.9
Administrative expenses		(42.4)	(34.3)
Other operating income		2.9	2.5
Operating profit	3	8.2	23.1
Profit on disposal of tangible fixed assets	4	0.2	-
Profit on ordinary activities before interest and taxation		8.4	23.1
Interest receivable	6	1.4	1.1
Profit on ordinary activities before tax		9.8	24.2
Tax on profit on ordinary activities	7	(2.8)	(6.0)
Profit for the year		7.0	18.2

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

Statement of total recognised gains and losses

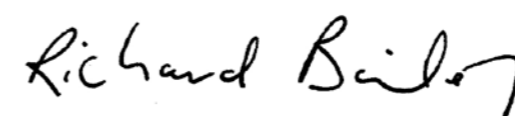
	2011	2010
Profit for the year	7.0	18.2
Surplus on revaluation of subsidiary undertakings	0.1	-
Total recognised gains and losses relating to the year	7.1	18.2

Balance sheet

Amounts in millions of pounds

At 31 December	Notes	2011	2010
Fixed assets			
Tangible fixed assets	9	3.1	-
Investments	10	0.4	0.3
		3.5	0.3
Current assets			
Stocks and work in progress		0.2	-
Debtors: amounts falling due within one year	11	242.0	246.3
Debtors: amounts falling due after more than one year	11	14.8	16.2
Cash at bank and in hand		122.6	152.8
		379.6	415.3
Creditors: amounts falling due within one year	12	(324.6)	(364.1)
Net current assets		55.0	51.2
Total assets less current liabilities		58.5	51.5
Creditors: amounts falling due after more than one year	13	(10.1)	(10.2)
Net assets		48.4	41.3
Capital and reserves			
Share capital	14	24.0	24.0
Revaluation reserve	15	0.4	0.3
Profit and loss account	15	24.0	17.0
Equity shareholder's funds	15	48.4	41.3

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



Richard Bailey
Director

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 subsidiary undertakings, and in accordance with applicable UK accounting standards and comply with the Companies Act 2006.

The company is exempt from the requirement to prepare group accounts in accordance with section 400 of the Companies Act 2006 as it is a wholly owned subsidiary of its immediate parent undertaking, BAM Construct UK Limited, a company incorporated in England. The company's results are included in the consolidated accounts of BAM Construct UK Limited. These accounts present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of Koninklijke BAM Groep n.v. (Royal BAM Group), a company registered in the European Union, which prepares consolidated accounts, the company has taken advantage of the exemption provided under FRS 1 (Revised) not to prepare 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 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 company.

After considering the above points, the directors have a reasonable expectation that the company 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.

Investments

The investments in subsidiaries are included at directors' valuation based on the company's share of net assets of the subsidiary company. This policy is considered to be appropriate as the directors consider this to be the most accurate reflection of the company's investment position.

In the opinion of the directors, the aggregate value of the company's investment in its subsidiaries and amounts owing by them is not less than the amount at which they are stated in the accounts.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable in bringing the asset into working condition for its intended use. Depreciation is provided under the straight line method to write off the depreciable element of the cost of tangible fixed assets over their expected useful lives as follows:

Plant and machinery	- 8.33% to 60.00%
Motor vehicles	- 25.00%

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

Notes to the accounts

Amounts in millions of pounds

1. Accounting policies (continued)

Long-term contracts

Contract work in progress is valued at total cost incurred plus attributable profits less foreseeable losses and applicable payments on account. 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. Total cost includes direct cost and allocated overhead. The resultant balance on individual contracts is included under debtors as 'amounts recoverable on contracts', under creditors as 'payments received on account', or under creditors as 'accruals for foreseeable losses'.

Operating Leases

Rentals payable under operating leases are charged 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.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Work in progress and finished goods are valued at the lower of the cost of direct materials and labour plus attributable overheads based on a normal level of activity, and net realisable value.

Deferred taxation

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:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets (including investments in subsidiary undertakings), 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; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on 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.

Related parties

Advantage has been taken of the exemption in FRS 8, not to disclose details of transactions between wholly owned group undertakings.

Construction revenue recognition

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.

Notes to the accounts

Amounts in millions of pounds

2. Turnover

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. Turnover is attributable to one continuing class of business, design and construct contracting, traditional building, the provision of services engineering, plant hire and supply of associated services, and arose wholly within the United Kingdom.

3. Operating profit

Certain administrative costs, including audit fees, staff costs, and operating lease costs for land and buildings and for plant and vehicles, were met by the immediate parent undertaking.

	2011	2010
This is stated after charging:		
Depreciation of owned assets	2.0	–
Operating lease rentals – plant and vehicles	1.0	–

	2011	2010
	£000s	£000s
Fees for the audit of the company	121.0	145.9

Fees paid to the company's auditor Ernst & Young LLP, for services other than the statutory audit of the company are not disclosed in this company's accounts since the consolidated accounts of the company's parent, BAM Construct UK Limited, are required to disclose non-audit fees on a consolidated basis.

4. Profit on disposal of fixed assets

	2011	2010
Proceeds from sale of tangible fixed assets	0.4	–
Less: net book value	(0.2)	–
Profit on disposal of tangible fixed assets	0.2	–

5. Directors' emoluments

R Bailey and G Cash, directors of this company throughout the financial year, were also directors of BAM Construct UK Limited, the company's immediate parent undertaking, for the same period. Their remuneration for the period in which they served as directors of BAM Construct UK Limited, all of which was paid by, and attributable to, services provided to BAM Construct UK Limited, is disclosed in the accounts of that company. S G P Byrne, N J Comben, J R Dakin, R Ellis, K Irving, S J Tapson and J W R Wimpenny received remuneration from BAM Construct UK Limited, the company's immediate parent undertaking, as employees of that company. A management charge of £19.9 million (2010: £19.7 million) in respect of administrative costs has been made to the company by BAM Construct UK Limited which includes directors' emoluments which it is not possible to identify separately.

6. Interest receivable

	2011	2010
Bank interest receivable	1.4	1.1

Notes to the accounts

Amounts in millions of pounds

7. Tax on profit on ordinary activities

	2011	2010
(a) Tax on profit on ordinary activities		
UK Corporation tax		
Corporation tax	3.1	6.9
Adjustments in respect of earlier years	–	(1.0)
Total current tax charge	3.1	5.9
Origination and reversal of timing differences	(0.3)	0.1
Total deferred tax (credit) / charge	(0.3)	0.1
Total tax charge for the year	2.8	6.0

(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	9.8	24.2
Profit on ordinary activities multiplied by the rate of corporation tax in UK of 26.5% (2010: 28.0%)	2.6	6.8
Expenses not deductible for tax purposes	0.2	0.1
Decelerated capital allowances	0.1	–
Short term timing differences	0.2	–
Adjustments in respect of earlier years	–	(1.0)
Total current tax charge	3.1	5.9

(c) Factors that may affect future tax charges

In accordance with the company's accounting policy, investments in subsidiary undertakings are carried at the company's share of net assets. The directors believe that in the event of a future disposal no tax liabilities should arise. The company is not proposing to dispose of any subsidiary undertakings in the foreseeable future.

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 company'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 per cent, 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 rate changes will impact the amount of future tax payments to be made by the company.

Notes to the accounts

Amounts in millions of pounds

7. Tax on profit on ordinary activities (continued)

(d) Deferred tax

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

	2011	2010
Included in debtors (Note 11)	0.3	-
Decelerated capital allowances	0.1	-
Short term timing differences	0.2	-
Deferred tax asset	0.3	-

8. Dividends

	2011	2010
Declared and settled during the year		
Equity dividends on ordinary shares:		
Final dividend: nil (2010: 62 pence per share)	-	15.0

9. Tangible fixed assets

	Plant, machinery and vehicles	
	2011	2010
Cost:		
At 1 January	-	-
Transferred from fellow subsidiary undertaking	13.8	-
Impairment	(0.1)	-
Additions	0.7	-
Disposals	(1.4)	-
At 31 December	13.0	-
Depreciation:		
At 1 January	-	-
Transferred from fellow subsidiary undertaking	9.1	-
Charge for the year	2.0	-
Disposals	(1.2)	-
At 31 December	9.9	-
Net book value:		
At 31 December	3.1	-

Plant and machinery include assets with a net book value of £2.8m (2010: £nil) which are hired to other group companies and to third parties. These assets are depreciated over their expected useful lives at rates of 8.33% to 60.00%. These assets have accumulated depreciation of £8.8m (2010: £nil).

The tangible fixed assets were transferred from BAM Plant Limited along with other assets and liabilities as part of the transfer of

Notes to the accounts

Amounts in millions of pounds

business on 1 January 2011.

10. Investments

	2011	2010
Subsidiary undertakings		
Valuation:		
At 1 January	0.3	0.3
Revaluation surplus	0.1	-
At 31 December	0.4	0.3

The following is a wholly owned direct subsidiary undertaking of the company:

Incorporated in England and Wales	Nature of business
BAM Design Limited	Design Services

11. Debtors

	2011	2010
Debtors: amounts falling due within one year		
Amounts recoverable on contracts	16.2	11.7
Trade debtors	111.8	86.3
Amounts due from ultimate parent undertaking	0.5	0.7
Amounts due from immediate parent undertaking	76.6	103.0
Amounts due from subsidiary undertakings	0.1	0.1
Amounts due from fellow subsidiary undertakings	5.1	11.3
Prepayments and accrued income	31.4	33.2
Deferred tax asset	0.3	-
	242.0	246.3

	2011	2010
Debtors: amounts falling due after more than one year		
Trade debtors	14.8	16.2

12. Creditors: amounts falling due within one year

	2011	2010
Payments received on account	31.4	46.1
Accrual for foreseeable losses	41.0	13.7
Trade creditors	63.0	38.8
Amounts due to fellow subsidiary undertakings	-	16.9
Corporation tax	3.1	6.9
Accruals and deferred income	186.1	241.7
	324.6	364.1

Notes to the accounts

Amounts in millions of pounds

13. Creditors: amounts falling due after more than one year

	2011	2010
Trade creditors	10.1	10.2

14. Share capital

	2011	2010
Authorised:		
24,000,100 Ordinary shares of £1 each	24.0	24.0
Allotted, called up and fully paid		
24,000,002 Ordinary shares of £1 each	24.0	24.0

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

	Share capital	Revaluation reserve	Profit and loss account	Total shareholder's funds
At 1 January 2010	24.0	0.3	13.8	38.1
Profit for the year	-	-	18.2	18.2
Dividends declared and settled	-	-	(15.0)	(15.0)
At 1 January 2011	24.0	0.3	17.0	41.3
Profit for the year	-	-	7.0	7.0
Surplus on revaluation of subsidiary undertaking	-	0.1	-	0.1
At 31 December 2011	24.0	0.4	24.0	48.4

16. Obligations under non-cancellable operating leases

At 31 December 2011 there were annual commitments under operating leases comprising:

	2011	2010
Equipment and vehicles		
Leases terminating:		
Within one year	0.2	-
In two to five years	0.4	-
At 31 December 2011	0.6	-

17. Contingent liabilities

- (a) 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 for 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.

Notes to the accounts

Amounts in millions of pounds

17. Contingent liabilities (continued)

- (b) The company is party to various litigation arising in the ordinary course of the 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 company.
- (c) 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.
- (d) 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 1 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.

- (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 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.

18. Parent undertaking and controlling party

The company's immediate parent undertaking is BAM Construct UK Limited, a company incorporated in England.

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 undertaking (the largest group of which the company is a member and for which group accounts are prepared) and of BAM Construct UK Limited (the smallest group) are available from this company's registered office.

19. Events subsequent to the balance sheet date

With effect from 1 January 2012, the business, assets and liabilities of BAM Design Ltd have been transferred to BAM Construction Limited, a fellow subsidiary undertaking. The assets and liabilities were transferred at net book value which in the directors' opinion is equivalent to fair value. BAM Construction Limited has agreed to assume all of the liabilities and obligations of the company from this date.

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