

2012



construction

report and accounts

BAM Construction Limited

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Report and Accounts 2012

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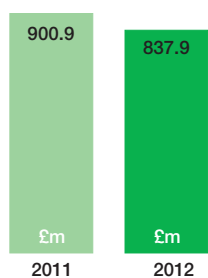
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Highlights

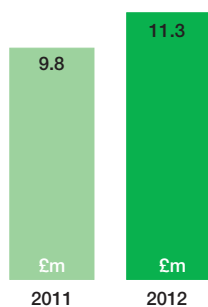
BAM Construction Limited is the UK construction company of Dutch based Koninklijke BAM Groep n.v. ('Royal BAM Group') working within the BAM Construct UK Limited group of companies. Turnover in excess of £830m in 2012, producing a profitable performance and continued strong cash balances, make the company one of the largest construction companies in the UK.

Review of the business

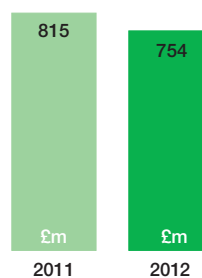
Turnover



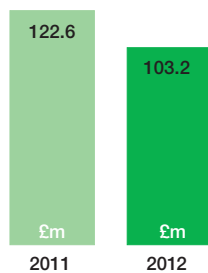
Profit before taxation



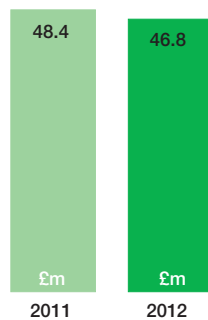
Work in hand at year-end



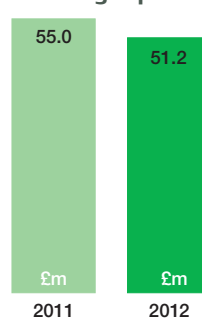
Cash position at year-end



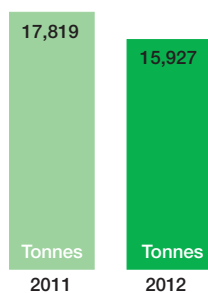
Shareholder's funds at year-end



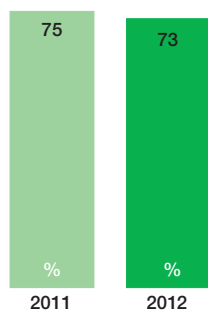
Working capital at year-end



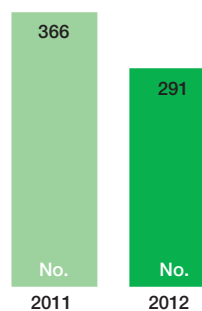
CO₂ emissions



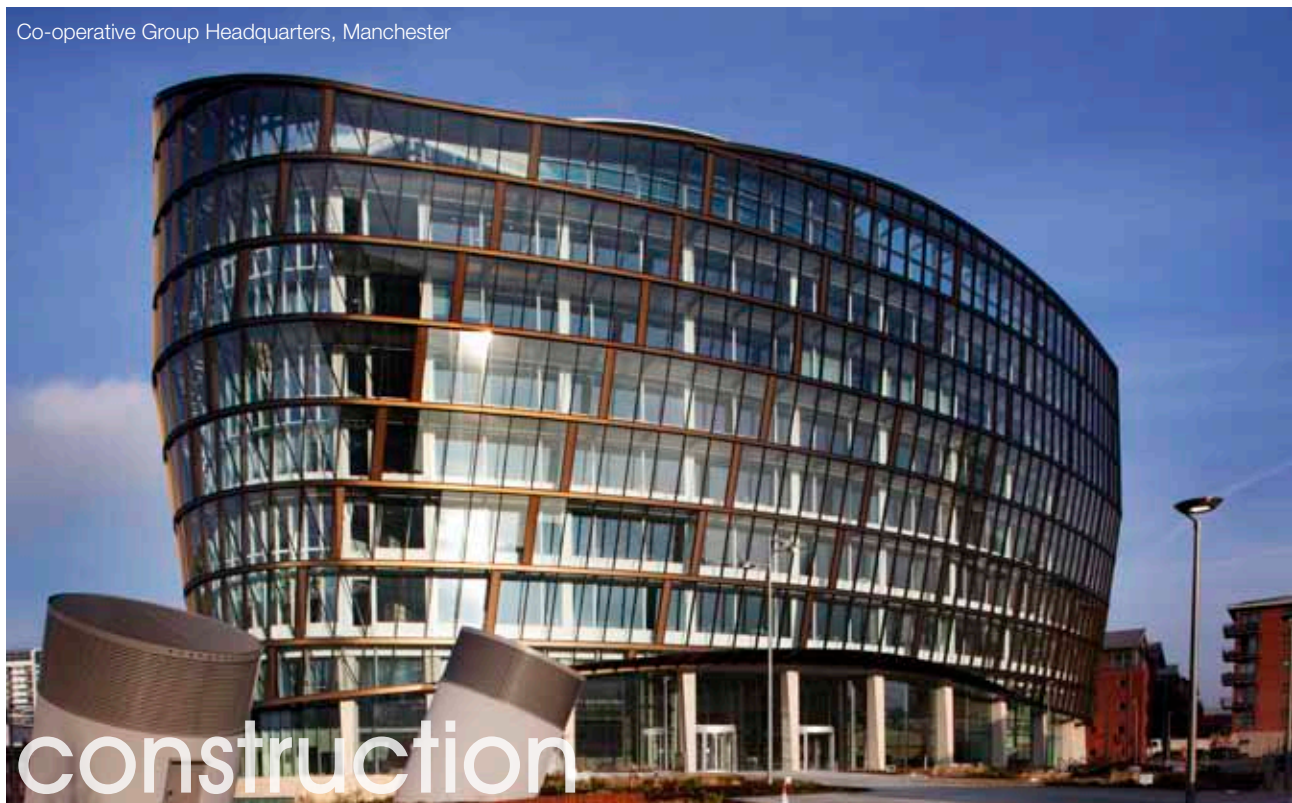
% of sites zero harm



All accident reports



Business review



BAM Construction

BAM Construction Limited ('BAM Construction') ('the company') is the largest business within the BAM Construct UK Limited group ('BAM Construct UK') ('the group'). The company produced turnover of £837.9m (2011: £900.9m) with a profit before tax of £11.3m (2011: £9.8m) and an operating margin of 1.2% (2011: 0.9%).

The company successfully completed 57 construction projects in 2012 and won 59. Education remains a key market and the company completed 20 facilities – a mixture of university buildings, colleges, academies, primary and secondary schools. The other principal areas of work were commercial buildings, leisure, health and mixed development.

Among our completed buildings was the headquarters in Manchester for The Co-operative Group which is on track to achieve the highest ever BRE Environmental Assessment Method (BREEAM) outstanding score in the world. We also completed the national centre for Network Rail in Milton Keynes and the Laboratory for Molecular Science in Cambridge for the Medical Research Council.

The construction market remains highly competitive with sub-economic tendering by some competitors and instability in the supply chain. The board have concentrated on mitigating these risks through careful analysis of prospective projects and being highly selective about tenders. The company seeks to work with

clients who want a high quality, added-value service rather than simply the lowest cost. It is encouraging that the company won a range of diverse projects in 2012 with some of the leading organisations in Britain, such as a blade casting facility in Rotherham for Rolls Royce, a training academy for Manchester City FC, a new sports centre in Huddersfield, the refurbishment of East Midlands Airport terminal, an office block in Chancery Lane, London for Viridis, and another two projects for Network Rail. In addition, we continued to participate successfully in the Education Funding Agency's National Contractors Framework and were awarded another 11 academies in 2012. In many cases, our ability to challenge the brief productively and offer innovation through Building Information Modelling ('BIM'), our expertise in devising sustainable solutions, and our proposed programme of community engagement were factors that contributed to our success.

The company was also reselected to participate on all of the regional and national Designed for Life Building for Wales Frameworks for health facilities and continued to participate on the Scottish Health Framework.

BAM Construction was associated with many awards for the buildings it worked on. For example, the company built four of the ten museums shortlisted by the Arts Prize Fund for Museum of the Year Award 2012, with the Royal Albert Memorial Museum, which BAM Construction delivered in 2011, emerging as the overall winner.

Business review



BAM Design

BAM Design became a separate, independent trading division within BAM Construction with effect from 1 January 2012. It had a successful year exceeding its fees target of £5.2m by £2.5m. BAM Design made a major contribution to the company's continued success in winning academy projects under the Education Funding Agency's Framework. It was also involved in delivery of a number of other major projects such as our work on a national centre for Network Rail, our current projects at King's Cross and Aston University Student Accommodation Village.

Our ability to offer the full range of design services, from concept architecture through all design stages, adds value and contributes to our ability to proactively challenge the project brief to find the best value options for successful delivery.

The design team continues to lead our innovative work on developing BIM and sustainable design and to spread that expertise throughout the group.

Services Engineering

The company's Services Engineering division experienced the same competitive market conditions as our construction business. Nonetheless, it contributed to the achievement of a profitable outcome on many projects. Our in-house services engineering capabilities assist our construction teams to evaluate and solve challenges before construction commences. It also lessens the company's dependency on external M&E subcontractors in an unstable climate.

In 2012, the division continued to expand its activities in the north east of the country and further expansion is planned in

Plant lift onto Waterloo Station roof via helicopter for Network Rail



2013 to bring the benefits to more of our construction divisions. For example, Services Engineering worked on our project at Newcastle College to solve the challenge of providing services that could be easily accessed for maintenance and repair, without disrupting the workings of the college.

BAM 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 civil engineering company in the UK). The benefits of an internal plant division are many: efficient sourcing and procurement, attention to quality, maintenance and safe operation of all plant and equipment when it is on site. For example, BAM Plant organised a series of ten helicopter lifts to deliver heavy plant on to the roof of our project to build a retail balcony at Waterloo Station, London, which enabled us to cope with constrained access to the site.

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

Sustainability report



Doing business responsibly

The company supports the group's vision to be a distinctive construction and property services brand by being customer focused, creative and sustainable. Our values are to be trustworthy, reliable, considerate and creative.

Behaving responsibly to customers, the community and our own colleagues is intrinsic to these values and the achievement of our vision, and so we seek continuously to improve our performance on all aspects of sustainability.

In 2012, the company contributed to the group's fifth sustainability report, noting our progress in 2011, which can be viewed on our website: www.bam.co.uk. Below we update the 2011 data where possible.

It is not solely a matter of meeting existing targets. We are making strides in data capture and analysis, which is enabling us to set new goals and provide better advice and options to our customer. Our goal is to continuously improve our capacity to help them to achieve buildings that will last longer, be more sustainable to operate, and have less impact on the environment when the buildings are de-commissioned at the end of their life.

Our work on developing BIM is having a positive impact on all of these issues. BIM has many practical benefits in helping to reduce waste by specifying materials more accurately and by detecting and avoiding clashes. However, we believe its most valuable benefits lie in being able to model the impact of buildings and evaluate the sustainability of issues such as the choice of various materials, positioning of the building, and other factors.

Health and safety

Ensuring the safety and wellbeing of staff and everyone who works with us and around our operational sites is a core component of being a socially responsible business. Our focus is on achieving a 'zero harm' environment. It is a proactive approach that considers risks and embedding safe procedures

at every stage of the construction cycle, from design through procurement and onto site operations. We make it clear to staff that they are empowered to challenge any practice that might jeopardise this. 73% of our projects in 2012 achieved zero harm, i.e. there were no recordable accidents. Training in 2012 focused on high risk areas including the use of mobile elevated work platforms (MEWPs), scaffolding, fire risks and also behavioural training. We are interrogating the reasons behind factors such as times of the day and the times of the year when the risk profile for accidents is elevated.

The amount of training on health and safety increased by 17% as the group continues to embed a culture of achieving zero harm. Expenditure on health and safety training decreased as we continue to develop the skills and capacity of our own safety and health advisors and managers to deliver a range of accredited British Safety Council courses.

Environmental sustainability

The group's total carbon footprint in 2012 was 15,927 tonnes CO₂, a reduction of 1,892 tonnes (10.6%) compared to 2011. Overall group normalised emissions also reduced to 18.34 tonnes of CO₂ per £million turnover, a reduction of 5%.

The largest reduction came from reducing the electricity consumed by 17%, also resulting in an estimated cost saving of £270,000, demonstrating that the efficiencies worked on over the past four years are yielding results.

The group transport strategy introduced in 2011 is also taking effect with a reduction in overall business mileage of 1.6 million miles and a saving of £260,000. The group continues to incentivise green travel options and invested £90,000 in a green car award scheme.

The group now measures emissions from waste sent to landfill and calculates that 6,000 tonnes of CO₂ has been saved since 2008 through improved management of waste.

The group considers it is on track to meet the target to reduce emissions by 25% by 2015 compared to our performance in 2008. To date, emissions have reduced by 12%, saving 6,488 tonnes of CO₂ which equates to a monetary saving of approximately £3.5 million since 2008.

In 2012, the group, mainly BAM Construction, made further progress on the management of waste. The total amount of waste produced per £million of turnover reduced to 139m³ (down from 142m³ in 2011) and the proportion of waste diverted from landfill increased to 91% (from 88% in 2011). The group target is to achieve zero non-hazardous waste to landfill by 2015. We are implementing a number of measures

to keep improving our performance such as working with clients and designers to eliminate waste at design stage; reusing excavation waste on site, or using it on other sites, and ensuring mixed waste is sent to specialist materials recovery facilities.

The quantity of mains water used on our sites reduced by 10% in 2012 to 121m³ per £million turnover.

BAM Construction keeps records of the amount of timber delivered to our sites. 6,000m³ of timber was delivered in 2012, of which more than 99% was from verified legal and sustainable sources and 88% has a fully documented Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) chain of custody.

In 2012, we started work on developing targets for responsible sourcing of other construction products such as concrete, metals and aggregates and considering the best way of verifying their chain of custody.

In 2011, 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. Work continued on the study in 2012 which will assist the industry to understand better the performance of buildings in occupation compared to the design aspirations.

Social sustainability

The total group community contribution in 2012 was valued at £591,988 which is made up of employee time, monetary and in-kind donations. This comprised of £91,852 cash contributions, £471,280 in staff and managers' time and £28,856 in-kind donations, including those from BAM Construction.

The group community investment benefitted 21,507 people. Much of BAM Construct UK's investment in community activity is directed towards providing educational opportunities for young people. During 2012, 5,780 students learned a new skill through working with the group.

In 2012, our two year charity partnership with Barnardo's concluded. Over the two year partnership, the group raised £224,409 for the charity in a combination of employee fundraising and matched donations by the group. This provided Barnardo's with the resources to provide 75 young people with skills and qualifications to improve their lives.

In December 2012, following a ballot of staff, the group entered into a new charity partnership for the next two years with MacMillan Cancer Relief.

In 2012, we continued the shared apprentice programme that the company developed with Coventry City College and the City Council. At the start of 2012 there were seven apprentices on the scheme, of which five completed their qualification during the year and moved on to employments with local companies. Ten apprentices are currently in training where they are employed by the group for periods but also undertake placements with other local contractors so that they gain the full range of experience they need to complete their qualifications.

In 2012, the group provided work placements for 21 students, totalling 366 weeks.

Two of our construction divisions in the west and north east achieved National Skills Academy status.

In November 2012, the company participated in the UK contractors Group 'Open Doors' weekend. We opened five of our sites for visits by members of the public so that they could see what is involved in construction and become more aware of career options within the industry. Several hundred people visited and we received many compliments.

The company tries to minimise any negative impact of its 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. The average score of BAM Construction sites in 2012 was 35.44 out of 40. This score is more than the industry average of 35.20 and a slight improvement on our 2011 average of 35.36. The company achieved three gold, seven silver and 13 bronze awards at the CCS awards ceremony in 2012.

Supporting group employees to be their best

The company received continuous positive feedback from customers about the quality of our people who draw praise for their professional, collaborative and friendly approach. The board believes it is important to nurture this culture.

The board staged roadshows in eight venues around Britain which were well attended and achieved positive feedback from employees. 58% of attendees filled in a feedback form after the presentations and 94.7% of the respondents scored it as good or excellent.

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 28 of our construction projects. The group has a presence on Twitter and tweets

news daily about the group's activities and achievements. We continue 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.

In 2012, the group ceased to publish a printed magazine for employees, using online bulletins instead to help colleagues keep up with corporate news. In December 2012, we implemented an improved homepage on our intranet with a new section that interviews employees in the group about their roles. The new homepage also shows our assistance web where employees can post enquiries in real time and debate them with others. This is contributing to better knowledge sharing across our businesses. The intranet has an improved search engine which is enabling colleagues to access the information on the intranet more easily.

The group has continued to invest in employee development. In 2012, 5,927 days (2011: 5,868 days) of formal training programmes were delivered. This worked out at approximately 2.9 days per employee. The investment was £1,114,730 (2011: £1,151,687).

The group continues to develop its e-learning facility to extend and supplement our formal training programmes. All employees undertook an e-learning course in anti-bribery and corruption awareness and environmental induction programmes.

The board seeks to develop talent so that our future business leaders can be drawn mainly from within BAM. Four management development programmes were staged in Roffey Park to develop the potential of employees at various levels. 62 employees participated. One senior manager attended an executive development programme at Henley Business School and two procurement managers attended an international supply chain management course in the Netherlands, ran by Royal BAM Group's Business School.

In 2012, BAM Construct UK sponsored 55 trainees through day release courses leading to HNCs, foundation degrees or honours degrees and the group continued to support employees to achieve accreditation with relevant professional bodies and courses of further education such as BSc, MSc or MBA qualifications.

The group continues to subsidise thriving sports and social clubs around the country offering a range of cultural, social and sporting activities and is well supported by employees. The group introduced a new scheme entitled 'BAM Benefits' which enables employees to avail of up to 10% discounts on purchases from a range of high street retailers and services, including some of the major supermarket chains. There has been a good take-up of the scheme.

In the autumn of 2012, the group participated in the benchmarking Best Companies awards which involves a confidential survey of 1,400 randomly selected employees about their experience of BAM Construct UK as an employer. We participated in the survey previously in 2009 and 2011. The board is delighted that the results secured a place on the Sunday Times List of Top 100 Companies to Work For 2013 and our ranking improved to number 70, up ten places from our previous listing of 80 on the 2011 list. BAM Construct UK was the highest ranked construction and property services company.

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. Members of staff participate in working parties and committees of various organisations including the UK Contractors Group ('UKCG') within the Confederation of British Industry ('CBI'), where the Chief Executive chairs its IT working party. BAM Construct UK also chairs the Waste and CO₂ working groups within the UKCG.

The company has played an active role in the UKCG's campaign 'Building Britain's Future' to encourage government and local authorities to invest in construction and infrastructure as one of the most cost effective ways of stimulating economic recovery and generating employment.

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 was endorsed by the World Resources Institute (WRI) and published on its Green House Gas Protocol website, as well as being used by the Global Reporting Initiative (GRI) as the standards of measurement for their Construction and Real Estate Sector Supplement. In 2012, we assisted the ENCORD Group with its work on a waste management guidance document to supplement the Protocol.

The group's environmental team continued to work with the Waste and Resources Action Programme ('WRAP') in 2012 and assisted WRAP to develop its latest voluntary agreement on resource efficiency.

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 and it contributed to dialogue with government, opposition MPs and with local bodies through its participation in the UKCG and the CBI.

Directors' report

The Directors present their report and company accounts for the year ended 31 December 2012.

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 £11.3m (2011: £9.8m). After taxation, the profit attributable to the shareholder was £8.4m (2011: £7.0m). During the year a dividend of £10.0m was declared and settled (2011: £nil).

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 2012, adjusting the company's strategy to changing circumstances and setting appropriate targets for the individual business units and senior managers. Building on the bid preparation workshops established in 2011, the company launched a new "risk and opportunities" process in 2012, which is now adopted for each new project.

Media presence for BAM has been strong during the year where we have been active both locally and also in the national press. We have extended our Facebook pages for a number of our sites enabling a more dynamic engagement with stakeholders. Supporting this, we continue our 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 2012 as the two companies collaborated on sharing knowledge and best practice in areas such as sustainability, health and safety and IT development.

It is four years since the group adopted the full BAM brand, and the directors consider it important to raise its profile in the UK market as many of our competitors trade under long established brand names.

In June 2012 in the run up to the Olympic Games, the group, in collaboration with BAM PPP and BAM Nuttall, undertook an

advertising campaign on the London Underground to promote the collective capabilities offered by BAM to customers in Britain.

In addition, they collaborated on an event for 200 clients in September.

As usual the group participated in a range of client facing conferences, including for example, the annual conference of Directors of University estates and a Scottish government conference on asset management in Scotland.

The group engages in proactive media relations to generate positive publicity and the Chief Executive appeared on ITN and BBC4 commenting on economic conditions and the outlook for the construction industry.

Future developments

While 2012 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 2012 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 2012:

- R Bailey
- S G P Byrne
- G Cash
- N J Comben
- J R Dakin
- R Ellis
- K Irving – resigned 31 December 2012
- S J Tapson
- J W R Wimpenny

D Keillor was appointed as a director of the company on 1 January 2013

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 2012, the company had an average of 29 days (2011: 31 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 2012 that posed a threat to the continuity of the business. During 2012, 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.

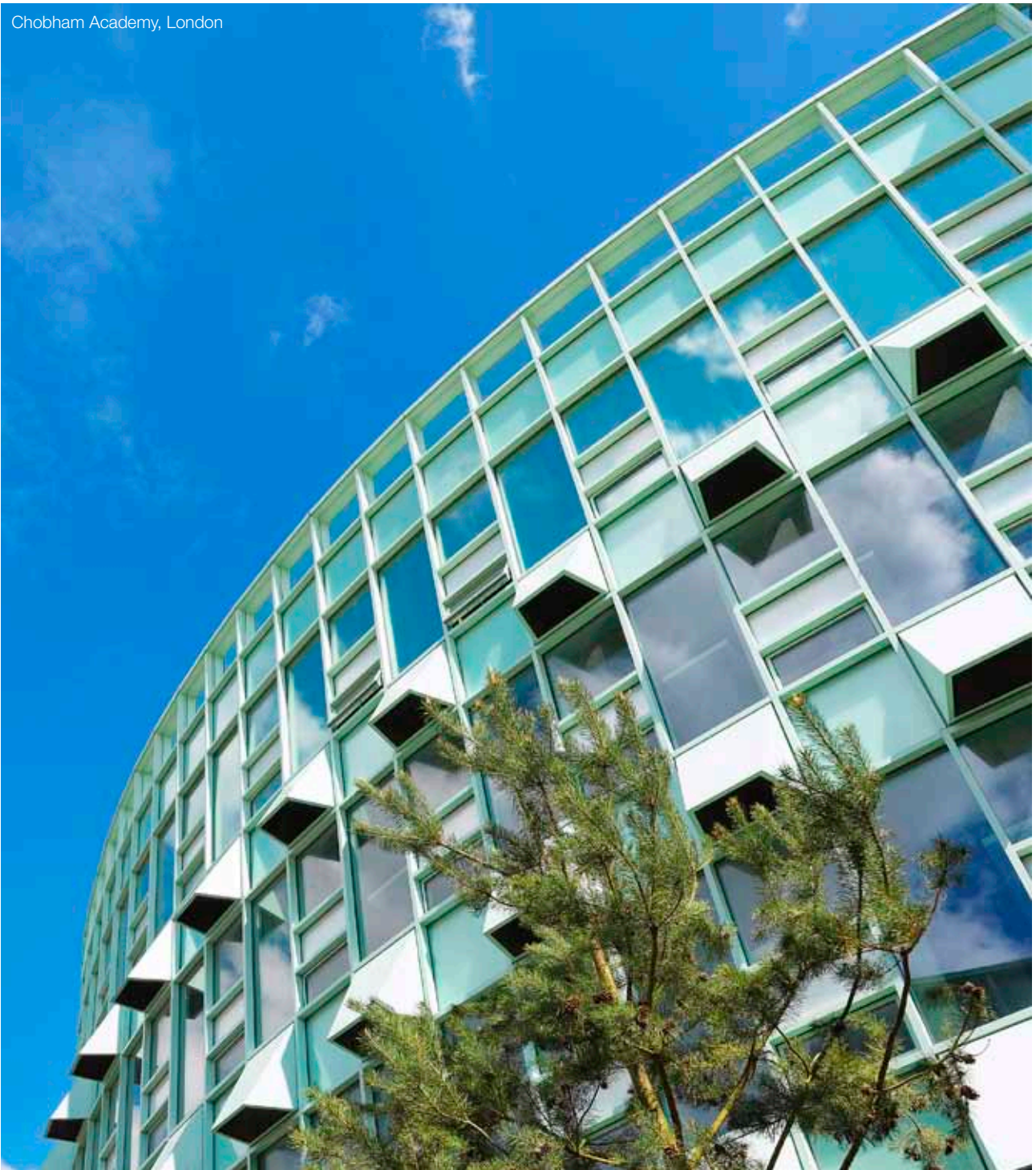


Richard Bailey

Director

8 April 2013

Chobham Academy, London



Park Mains High School, Erskine



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 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 18. 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 Construction 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 2012 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.

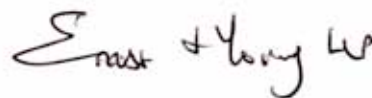
Opinion on other matter prescribed by the Companies Act 2006

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

8 April 2013

Profit and loss account

Amounts in millions of pounds

For the year ended 31 December	Notes	2012	2011
Turnover	2	837.9	900.9
Cost of sales		(794.1)	(853.2)
Gross profit		43.8	47.7
Administrative expenses		(35.7)	(42.4)
Other operating income		1.9	2.9
Operating profit	3	10.0	8.2
Profit on disposal of tangible fixed assets	4	0.5	0.2
Profit on ordinary activities before interest and taxation		10.5	8.4
Interest receivable	6	0.8	1.4
Profit on ordinary activities before tax		11.3	9.8
Tax on profit on ordinary activities	7	(2.9)	(2.8)
Profit for the year		8.4	7.0

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

Statement of total recognised gains and losses

	2012	2011
Profit for the year	8.4	7.0
Surplus on revaluation of subsidiary undertakings	-	0.1
Total recognised gains and losses relating to the year	8.4	7.1

Balance sheet

Amounts in millions of pounds

At 31 December	Notes	2012	2011
Fixed assets			
Tangible fixed assets	9	2.3	3.1
Investments	10	0.4	0.4
		2.7	3.5
Current assets			
Stocks and work in progress		0.1	0.2
Debtors: amounts falling due within one year	11	200.9	242.0
Debtors: amounts falling due after more than one year	11	9.8	14.8
Cash at bank and in hand		103.2	122.6
		314.0	379.6
Creditors: amounts falling due within one year	12	(262.8)	(324.6)
Net current assets		51.2	55.0
Total assets less current liabilities		53.9	58.5
Creditors: amounts falling due after more than one year	13	(7.1)	(10.1)
Net assets		46.8	48.4
Capital and reserves			
Share capital	14	24.0	24.0
Revaluation reserve	15	0.4	0.4
Profit and loss account	15	22.4	24.0
Equity shareholder's funds	15	46.8	48.4

The accounts were approved by the Board of Directors on 8 April 2013 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.

	2012	2011
This is stated after charging:		
Depreciation of owned assets	1.1	2.0
Operating lease rentals – plant and vehicles	0.7	1.0

	2012	2011
	£000s	£000s
Fees for the audit of the company	121.0	121.0

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

	2012	2011
Proceeds from sale of tangible fixed assets	1.1	0.4
Less: net book value	(0.6)	(0.2)
Profit on disposal of tangible fixed assets	0.5	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 £18.0 million (2011: £19.9 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

	2012	2011
Bank interest receivable	0.8	1.4

Notes to the accounts

Amounts in millions of pounds

7. Tax on profit on ordinary activities

	2012	2011
(a) Tax on profit on ordinary activities		
UK Corporation tax		
Corporation tax	2.8	3.1
Adjustments in respect of earlier years	–	–
Total current tax charge	2.8	3.1
Origination and reversal of timing differences	0.1	(0.3)
Total deferred tax charge / (credit)	0.1	(0.3)
Total tax charge for the year	2.9	2.8

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is equal to (2011: higher than) the average rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are reconciled below:

	2012	2011
Profit on ordinary activities before tax	11.3	9.8
Profit on ordinary activities multiplied by		
the rate of corporation tax in UK of 24.5% (2011: 26.5%)	2.8	2.6
Expenses not deductible for tax purposes	0.1	0.2
Decelerated capital allowances	–	0.1
Short term timing differences	(0.1)	0.2
Adjustments in respect of earlier years	–	–
Total current tax charge	2.8	3.1

(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.

Finance Act 2012 was enacted on 17 July 2012 and introduced a reduction in the headline rate of corporation tax to 24% from 1 April 2012 and to 23% from 1 April 2013. A further reduction in the headline rate to 21% by 1 April 2014 and 20% by 1 April 2015 has been announced by the Government. The rate of 23% has been substantively enacted by the balance sheet date and therefore deferred tax is recognised at 23%.

The impact of these future rate reductions will be reflected as and when they are substantively enacted, but are not anticipated to have a significant impact on the company's tax balances.

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:

	2012	2011
Included in debtors (Note 11)	0.2	0.3
Decelerated capital allowances	0.1	0.1
Short term timing differences	0.1	0.2
Deferred tax asset	0.2	0.3

8. Dividends

	2012	2011
<i>Declared and settled during the year</i>		
Equity dividends on ordinary shares:		
Final dividend: 42 pence per share (2011: nil)	10.0	–

9. Tangible fixed assets

	Plant, machinery and vehicles	
	2012	2011
Cost:		
At 1 January	13.0	–
Transferred from fellow subsidiary undertaking	–	13.8
Impairment	–	(0.1)
Impairment reversal	0.1	–
Additions	0.8	0.7
Disposals	(3.3)	(1.4)
At 31 December	10.6	13.0
Depreciation:		
At 1 January	9.9	–
Transferred from fellow subsidiary undertaking	–	9.1
Charge for the year	1.1	2.0
Disposals	(2.7)	(1.2)
At 31 December	8.3	9.9
Net book value:		
At 31 December	2.3	3.1

Plant and machinery include assets with a net book value of £2.1m (2011: £2.8m) 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 £7.1m (2011: £8.8m).

Notes to the accounts

Amounts in millions of pounds

10. Investments

	2012	2011
Subsidiary undertakings		
Valuation:		
At 1 January	0.4	0.3
Revaluation surplus	–	0.1
At 31 December	0.4	0.4

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

	2012	2011
Debtors: amounts falling due within one year		
Amounts recoverable on contracts	9.8	16.2
Trade debtors	76.5	111.8
Amounts due from ultimate parent undertaking	0.1	0.5
Amounts due from immediate parent undertaking	69.2	76.6
Amounts due from fellow subsidiary undertakings	7.3	5.1
Prepayments and accrued income	37.8	31.4
Deferred tax asset	0.2	0.3
	200.9	242.0

	2012	2011
Debtors: amounts falling due after more than one year		
Trade debtors	9.8	14.8

12. Creditors: amounts falling due within one year

	2012	2011
Payments received on account	29.0	31.4
Accrual for foreseeable losses	20.4	41.0
Trade creditors	55.7	63.0
Amounts due to subsidiary undertaking	0.4	–
Corporation tax	2.8	3.1
Accruals and deferred income	154.5	186.1
	262.8	324.6

Notes to the accounts

Amounts in millions of pounds

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

	2012	2011
Trade creditors	7.1	10.1

14. Share capital

	2012	2011
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 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 1 January 2012	24.0	0.4	24.0	48.4
Profit for the year	–	–	8.4	8.4
Dividends declared and settled	–	–	(10.0)	(10.0)
At 31 December 2012	24.0	0.4	22.4	46.8

16. Obligations under non-cancellable operating leases

At 31 December 2012 there were annual commitments under operating leases comprising:

	2012	2011
Equipment and vehicles		
Leases terminating:		
Within one year	–	0.2
In two to five years	0.5	0.4
At 31 December	0.5	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 2012, there was an overdraft balance for one of the companies in the cash pooling facility of £68.9 million (2011: £69.5 million). The net overdraft position in the cash pooling facility as at 31 December 2012 was £nil (2011: £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) From 1st January 2012 until 31st January 2012, the company along with other group companies provided a guarantee against a €200 million subordinated term loan and a guarantee against a €475 million committed credit facility and a €360 million term loan facility to its ultimate parent undertaking, Royal BAM Group n.v.

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 replaced those originally in place as described above. The company, along with other group companies, has provided guarantees against this loan and committed credit facility advanced to Royal BAM Group n.v.

The amount of the subordinated term loan outstanding at the year end was €125 million (2011: €200 million), and the amount drawn under the committed credit facility at the year end was €nil (2011: €nil). The previous term loan facility of €360 million was repaid during the year. 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 2012 there were overdraft balances in a number of group companies in the cash pooling facility amounting to £47.2 million (2011: £66.6 million). The net overdraft position in the cash pooling facility as at 31 December 2012 was £nil (2011: £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.

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(Head office)

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Registered number

2379469