



**BAM Nuttall Limited**  
Report & Accounts 2010



# BAM Nuttall Limited

## Report and Financial Statements

31 December 2010

**Registered No. 305189**

### **Directors**

S C Fox (Chief Executive)

D K Belsham

G M Renshaw

M J Rogers

R Treadgold

### **Secretary**

G M Renshaw

### **Auditors**

Ernst & Young LLP

1 More London Place

London SE1 2AF

### **Bankers**

NatWest Bank PLC

15 Bishopsgate

London EC2P 2AP

### **Registered Office**

St James House

Knoll Road

Camberley

Surrey GU15 3XW

# Royal BAM Group statement

Once again, despite an obvious change in the economic and market conditions, the Executive Board are pleased with the BAM performance in the UK.

The challenging trading conditions anticipated at the start of the year in the civil engineering, building construction, and facilities management markets have been carefully navigated by BAM management teams. Overall performance has been equal to or exceeds the group's expectations in the current market. BAM retain confidence in the UK property portfolio and continue to believe that prime property will provide a more positive return in the medium term.

Turnover of BAM UK based operations exceeds £1.75 billion. This firmly places BAM as one of the UK's leading construction companies. Profit before tax margins from our core activities remain above industry average performance and in line with the BAM group expectations.

The Executive Board are delighted to see BAM undertake a broader range of projects either independently or in joint venture. Projects undertaken or secured during the year that clearly demonstrate the ability and skills of BAM people include: The Scottish Transport Museum in Glasgow, The London to Birmingham Chiltern Railway, The new headquarters for the Cooperative Society in Manchester, substantial infrastructure works for London Underground, the Olympic Games and Crossrail.

BAM in the UK has continued to support the group's sustainability ambitions set out in its Strategic Agenda. High placing in the Sunday Times Best and Green Company awards scheme demonstrate the leadership and focus of BAM people in respect of this important topic.

Health and Safety performance has again seen positive development as accidents have again been reduced as the BAM companies strive for zero harm and beyond.

BAM companies in the UK have combined well with other group expertise to enhance the services available to UK customers. In areas such as tunnelling, renewable energy, green building techniques and stadium / arena design, BAM have found solutions that are in advance of our competitors.

The Executive Board takes this opportunity to thank all BAM UK based staff for their continued dedication and commitment and wishes them further success in 2011.

**Martin Rogers**

Member of the Executive Board  
Royal BAM Group nv

# Chief Executive's statement

Despite the challenging market conditions, arising from the recession and the substantial spending cuts imposed by the new government, BAM Nuttall has had another very successful year.

The financial results reinforce our position as one of the UK's leading civil engineering businesses. Turnover reached a new record of £694.8 million. Pre tax profit at £15.7 million is down on 2009 levels but exceeds the forecast at the start of 2010 and still represents an industry leading percentage result. The forward order book also stands at a new record level of £967 million. This reflects the significant contracts that were secured in 2010 including Victoria Station Upgrade, managed Motorways, Crossrail Station Caverns and Western Running Tunnels, Luton Dunstable Guided Busway and Northumbria Water Framework. Our focus is on pursuing work with secure funding and adopting selective bidding practices, including continuing to work with our carefully selected partners.

We are continuing to work in combination with BAM Group Companies and also with some of Europe's other leading construction organisations where appropriate in order to leverage our business into a superior and sustainable market position.

This year has been pivotal in the development of our Beyond Zero thinking. Throughout our business, from the boardroom to the worksite, the meaning of Beyond Zero has started to become consolidated into the very essence of what BAM Nuttall is about.

2010 proved to be our best ever year in Health and Safety performance with the total number of lost time incidents down by 40% and those resulting in more serious injuries showing a 25% reduction, both on 2009 figures. The use of Observation Cards has increased significantly, indicating a further improvement in our workforce engagement in accident prevention. We were awarded a number of important Construction Industry Safety Awards including RoSPA, Construction News and Network Rail.

Beyond Zero is also about seeking to eliminate our detrimental impact on this planet and it is encouraging to see that we have again made significant improvements in our effort to reduce greenhouse gas emissions. We have recorded a 16% reduction in 2010, due mainly from a reduction in the use of gas oil on our sites, 3 million litres less than in 2009. We also recorded a 35% reduction in electricity demand in 2010 which indicates real progress in this important area. However some aspects of our carbon footprint are very sensitive to the type of work we undertake.

Also very encouraging is our performance in reducing waste sent to landfill. Our efforts in 2010 mean that we have now seen a 70% drop since 2008 and this puts BAM Nuttall ahead of the 2012 WRAP 50% target.

More details of our carbon footprint and waste, together with other aspects of our progress towards Beyond Zero can be seen on the latest update of our sustainability report, available via the BAM Nuttall website.

Our continuing and growing investment in learning and development has seen increasing employee engagement and motivation. All learning and development activities for all our employees are now being delivered through our BAM Nuttall Academy, which ensures rigorous standards and quality, and integrates the development opportunities across all disciplines and at all levels.

Our successful apprenticeship programme continues to expand and is keenly sought after by potential candidates.

On behalf of the Board, I would like to thank all BAM Nuttall employees and our supply chain partners for their contribution towards achieving our 2010 results.

**Stephen Fox**  
*Chief Executive*

# Directors' report

The directors present their report and group financial statements for the year ended 31 December 2010.

## RESULTS AND DIVIDENDS

The results of the group are set out on page 12. The directors do not recommend the payment of a dividend (2009 – £nil).

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company and all its subsidiaries (the 'Group') is that of civil engineering, carried out through operating divisions, together with contracting and other related activities. A review of the activities of the Group is given in the Chief Executive's Statement preceding this report.

*A summary of the Group's key financial performance indicators is as follows;*

	<i>2010</i>	<i>2009</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Group Turnover	694.8	643.7	650.0
Profit before taxation	15.7	24.1	28.4
Profit after taxation	10.8	17.7	20.0
Shareholders funds at year end	101.8	87.9	81.0
Cash position at year end	108.2	105.1	97.4
Profit before taxation as a percentage of turnover	2.3 %	3.7 %	4.4 %
Return on average equity	11.7 %	21.1%	29.4 %

Turnover in 2010 of £695m represents an 8% increase on 2009 and has been achieved across the wide range of civil engineering sectors in which the Group operates.

Profit before tax in the year, at 2.3 % of turnover, is lower than that achieved in the previous year and is due to challenging market conditions.

# Directors' report (cont.)

The directors present their report and group financial statements for the year ended 31 December 2010.

## PRINCIPAL BUSINESS RISKS

The principal risks inherent in our business are of a financial and legislative nature. The Group operates within the limits presented by its ultimate parent company, Royal BAM Group n.v.

The Group's exposure to and management of financial risk in relation to price risk, credit risk, liquidity and cash flow risk is detailed below:

### ► Price risk

This risk relates to our ability to properly evaluate the cost of projects at tender stage, the control and recording of these costs during construction and our ability to recover these costs under the prescribed payment terms of our contracts. Other financial risks relate to the financial standing of our customers and supply chain in terms of their ability to discharge their contracted obligations to us. Management of these financial risks is an integral part of the Group's formalised control processes and business procedures, including the preparation of monthly project cost reports and a detailed quarterly review of all current projects by The Group's Board of Directors.

### ► Credit risk

The Group's policy is to trade only with recognised, creditworthy third parties. It is the policy of the Group that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, both at operating unit and company level, with the objective of minimising the Group's exposure to bad debts.

### ► Liquidity and cash flow risk

These risks are actively managed through the preparation and monitoring of a detailed twelve month rolling cash flow forecast and over a longer timescale by the preparation of a Medium Term Plan.

Legislative risk relates primarily to health, safety and environmental issues. Each of these issues receives significant focus at all levels within the Group and mandatory policies and procedures have been implemented in order to mitigate and control these risks.

No significant uncovered risks were identified up to the date of these financial statements being issued.

## RESEARCH AND DEVELOPMENT

The Group is a long standing core member of CIRIA with active participation across all five advisory panels. We have provided both financial and participative input into a number of research projects over the years. We believe that a major organisation such as ours has an obligation to contribute to industry knowledge and we in turn have gained a great deal through our involvement. Current activities with CIRIA include work on sustainable procurement, lean construction and an update of the environment good practice site guide.

## FUTURE DEVELOPMENTS

These are set out in the Chief Executive's Statement on page 3.

# Directors' report (cont.)

The directors present their report and group financial statements for the year ended 31 December 2010.

## **CORPORATE SOCIAL RESPONSIBILITY**

In BAM Nuttall we recognise that being a responsible business is the way in which can contribute to the achievement of sustainable development. Our policy for sustainable development confirms the board's commitment to a sustainable future and to seeking to rectify any imbalance between the adverse impacts of civil engineering works and the lasting economic, social and environmental benefits that accrue.

Our vision for a sustainable future is now clearly defined in 'Beyond Zero'. 'Beyond Zero' is not a set of targets. It is an ambition, an aspiration and something to aim for. 'Beyond Zero' is how we see the future. It is a future where harm to our business, our people, our environment and the wider community does not happen and we are all assured of a safe, healthy and better quality of life.

Our online sustainability report is in the progress of being updated to provide details of performance in 2010 on health, safety, environment, community, inclusion and people development. As before this is intended to be an interactive report for our clients, employees, supply chain and other stakeholders. It contains video interviews with some BAM Nuttall people to illustrate how sustainability and the 'Beyond Zero' culture are becoming fully embedded in how we do business.

This was very apparent in October 2010 from the submissions made from throughout the business for our first 'Beyond Zero' Award. Replacing the established Safe Site and Green Site Awards, this award was awarded by a panel of internal and external judges to the parts of the company that best exhibited the commitment and leadership necessary to reach 'Beyond Zero'.

External recognition came from our inclusion in the Sunday Times Green Companies List and from being highly commended for both the RoSPA sector health and safety award and for the National Recycling Awards construction award. In addition we gained a special British Construction Industry Award for work carried out at Olympic Park, a National Rail safety award, two Network Rail Awards, including Supplier of the Year and a Construction News Quality Award for the Owen Street project. We also achieved 10 awards under the Considerate Constructors Scheme, of which BAM Nuttall are Associate Members.

## **GOING CONCERN**

The Group's business activities are described in the Chief Executive's report and the Business Review on the preceding pages.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and markets. As a consequence the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## **FIXED ASSETS**

The movements in tangible fixed assets during the year are shown in note 12 to the financial statements.

# Directors' report (cont.)

The directors present their report and group financial statements for the year ended 31 December 2010.

## **EMPLOYEES**

The directors attach a great deal of importance to the concept of good communications with all employees. A Royal BAM Group newspaper "BAM World" and a company newspaper "Inside BAM Nuttall" are distributed to all employees, sponsored students and pensioners on a regular basis. They are designed to be informative on current issues and developments on a Royal BAM Group-wide and company-wide basis. In addition an enhanced company intranet was launched, which is acting as a portal for information exchange and is becoming a focal point for data distribution. Company briefings by local management and an annual 'Directors' Road Show' are held, where both Group and Royal BAM Group performance is analysed and future objectives disseminated.

A great deal of emphasis is placed on the induction of new employees who receive a personalised Induction Programme for their first six months. All employees are provided with personal development plans, which are reviewed with them by their line managers twice a year, and every effort is made to allow individuals to fulfil their potential. We are proud of our continuing Investors in People status.

It is Group policy to encourage the employment, training and development of people from all sectors of the community, including disabled people and to evaluate all employees solely on the basis of merit. The Group embraces an equal opportunities approach.

## **POLITICAL AND CHARITABLE CONTRIBUTIONS**

No political contributions were made during the year (2009 – £nil). The total amount of charitable donations was £27,259 (2009 – £22,133) made to a variety of regional and national charities.

## **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year ended 31 December 2010 and up to the date of this report are as follows:

S C Fox

D K Belsham

G M Renshaw [appointed 1 April 2010]

M J Rogers

R Treadgold

On 1 April 2010 S C Fox was appointed as Chief Executive of BAM Nuttall, replacing M J Rogers, on the same date G M Renshaw was appointed as Finance Director.

None of the directors have any personal or beneficial interest in the shares of the The Royal BAM Group or the Group.

## **CREDITOR PAYMENT POLICY AND PRACTICE**

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2010, the Group had an average of 31 days purchases (2009 – 34 days) outstanding in trade creditors.

# Directors' report (cont.)

The directors present their report and group financial statements for the year ended 31 December 2010.

## **DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The ultimate parent company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

## **DISCLOSURE OF INFORMATION TO THE AUDITORS**

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

## **AUDITORS**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

**G M Renshaw**

Finance Director and Company Secretary

8 April 2011

# Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

# Independent Auditors' report

to the members of  
BAM Nuttall Limited

We have audited the financial statements of BAM Nuttall Limited for the year ended 31 December 2010 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses and the Group and Parent Company Balance Sheets, and the related notes 1 to 24. 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 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements 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 FINANCIAL STATEMENTS**

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

## **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

# Independent Auditors' report

to the members of  
BAM Nuttall Limited (continued)

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

***Amin Mawji (Senior statutory auditor)***

*for and on behalf of Ernst & Young LLP, Statutory Auditor*

*London*

12 April 2011

1. The maintenance and integrity of the BAM Nuttall 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 financial statements since they were initially presented on the web site.

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

**Group profit and loss account**  
for the year ended 31 December 2010

	<i>Notes</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>TURNOVER</b>			
Continuing operations	2	694,813	643,708
		<hr/>	<hr/>
<b>GROUP TURNOVER</b>			
		694,813	643,708
<b>Costs and expenses</b>			
Costs and expenses	3	(682,469)	(619,913)
		<hr/>	<hr/>
<b>GROUP OPERATING PROFIT</b>			
Profit on disposal of fixed assets	4	12,344	23,795
		2,545	491
		<hr/>	<hr/>
		14,889	24,286
Interest receivable	7	1,625	2,421
Interest payable		(49)	(43)
Other finance charges	8	(790)	(2,576)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
		15,675	24,088
Tax on profit on ordinary activities	9	(4,865)	(6,406)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			
		10,810	17,682
Equity minority interests		(46)	(41)
		<hr/>	<hr/>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING</b>			
		10,764	17,641
		<hr/>	<hr/>
<b>RETAINED PROFIT FOR THE YEAR</b>			
	18	10,764	17,641
		<hr/> <hr/>	<hr/> <hr/>

**Group statement of total recognised gains and losses**  
for the year ended 31 December 2010

	<i>Notes</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
Profit after tax		10,764	17,641
Actuarial gain / (loss) on defined benefit pension schemes		4,263	(14,882)
Movement on deferred taxation on defined benefit pension schemes		(1,194)	4,167
Movement on deferred taxation on defined benefit pension schemes as a result of change in UK tax rate		43	-
		<hr/>	<hr/>
Total gains recognised since last annual report and financial statements		13,876	6,926
		<hr/> <hr/>	<hr/> <hr/>

**Group balance sheet**  
at 31 December 2010

	<i>Notes</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>FIXED ASSETS</b>			
Intangible assets	11	871	1,077
Tangible assets	12	19,825	22,155
		<u>20,696</u>	<u>23,232</u>
<b>CURRENT ASSETS</b>			
Stocks	14	1,218	964
Debtors	15	211,672	177,960
Cash at bank and in hand		108,214	105,126
		<u>321,104</u>	<u>284,050</u>
<b>CREDITORS: amounts falling due within one year</b>	16	(224,922)	(194,018)
		<u>96,182</u>	<u>90,032</u>
<b>NET CURRENT ASSETS</b>			
		<u>116,878</u>	<u>113,264</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Obligations under finance leases and hire purchase contracts	20	(118)	(198)
Pension liability	21	(14,927)	(25,155)
		<u>101,833</u>	<u>87,911</u>
<b>MINORITY INTERESTS</b>			
Equity		(21)	25
		<u>101,812</u>	<u>87,936</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	27,000	27,000
Profit and loss account	18	74,812	60,936
		<u>101,812</u>	<u>87,936</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		<u>101,812</u>	<u>87,936</u>

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

**S C Fox**  
Chief Executive

8 April 2011

**Company balance sheet**  
at 31 December 2010

	<i>Notes</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>FIXED ASSETS</b>			
Tangible assets	12	16,011	18,836
Investments	13	8,128	8,128
		<u>24,139</u>	<u>26,964</u>
<b>CURRENT ASSETS</b>			
Stocks	14	1,218	964
Debtors	15	210,605	175,515
Cash at bank and in hand		95,128	96,705
		<u>306,951</u>	<u>273,184</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(219,766)</u>	<u>(192,115)</u>
		<u>87,185</u>	<u>81,069</u>
<b>NET CURRENT ASSETS</b>			
		<u>111,324</u>	<u>108,033</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Obligations under finance leases and hire purchase contracts	20	(118)	(198)
Pension liability	21	(14,927)	(25,155)
		<u>96,279</u>	<u>82,680</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	27,000	27,000
Profit and loss account	18	69,279	55,680
		<u>96,279</u>	<u>82,680</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		<u>96,279</u>	<u>82,680</u>

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

**S C Fox**  
Chief Executive

8 April 2011

## Notes to the financial statements at 31 December 2010

### 1. ACCOUNTING POLICIES

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention basis and in accordance with applicable accounting standards in the United Kingdom.

Where necessary, comparative information has been re-classified to achieve consistency in disclosure with current financial year amounts and other disclosures.

#### ***Basis of consolidation***

The Group financial statements consolidate the financial statements of BAM Nuttall Limited and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for BAM Nuttall Limited as permitted by section 408 of the Companies Act 2006.

#### ***Acquisition accounting***

The purchase consideration for businesses acquired is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

#### ***Goodwill***

Prior to 1 January 1999, depending on the circumstances of each acquisition, purchased and consolidation goodwill was either set off directly against reserves or was amortised through the profit and loss account over the directors' estimate of its useful life.

In accordance with FRS 10 'Goodwill and Intangible Assets', purchased goodwill arising on businesses acquired on or after 1 January 1999 is capitalised on the balance sheet and amortised through the profit and loss account over the directors' estimate of its useful life, subject to a maximum of twenty years. Impairment reviews are carried out at the end of the first full financial year following acquisition and in other periods if events or circumstances indicate that the carrying value of goodwill will not be recovered in full, and any diminution in value is charged through the profit and loss account.

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets other than assets in the course of construction at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Plant and machinery	- over 3 to 10 years
Fixtures, fittings, tools and equipment	- over 2 to 10 years
Freehold premises	- over 50 years

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

#### ***Research and development***

All research and development costs are written off as incurred.

#### ***Stocks and contract balances***

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

Contract balances are valued at total costs incurred, plus attributable profits, less foreseeable losses and applicable payments on account. The resultant balance in respect of each contract is either included in debtors as 'amounts recoverable on contracts' or in creditors as 'payments on account on long term contracts'. Provision is made in full for any anticipated losses on current contracts.

**Notes to the financial statements**  
at 31 December 2010

**1. ACCOUNTING POLICIES** (continued)

***Pension costs***

The Group operates four defined contribution schemes, contributions into which, are recognised in the profit and loss account in the period in which they become payable.

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

Regular valuations are prepared by independent, professionally qualified actuaries. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit actuarial method, which attributes entitlement to benefits to the current period (to determine current service cost). Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of benefit obligation taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

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

The defined benefit pension liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of the plan assets out of which the obligations are to be settled directly.

***Leasing commitments***

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the lease or hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

***Statement of cash flows***

The directors have taken advantage of the exemption in FRS 1 'Cash flow statements' (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent undertaking, Royal BAM Group n.v., publishes a consolidated cash flow statement.

***Revenue Recognition***

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

Profit on construction contracts is recognised 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 financial statements**  
at 31 December 2010

**1. ACCOUNTING POLICIES** (continued)

**Taxation**

*(a) Current tax*

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

*(b) Deferred tax*

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

- Provision is made for tax on gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Foreign currency translation**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

**Jointly controlled operations**

The company participates in construction contracts which are carried out in joint venture without the establishment of a legal entity. These arrangements are subject to joint control requiring unanimous consent for strategic, financial and operating decisions. The company proportionately accounts for its share of the income, expenditure assets and liabilities under each relevant heading in the financial statements.

**2. TURNOVER**

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

An analysis of turnover by geographical market is given below:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Geographical area:		
United Kingdom	687,839	639,963
Europe	1,108	-
Outside Europe	5,866	3,745
	<hr/>	<hr/>
	694,813	643,708
	<hr/>	<hr/>

**Notes to the financial statements**  
at 31 December 2010

**3. COSTS AND EXPENSES**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Staff costs (note 6)	134,714	134,265
External charges	540,596	478,385
Depreciation – owned assets (note 12)	6,953	7,057
Amortisation of goodwill (note 11)	206	206
	<u>682,469</u>	<u>619,913</u>

**4. OPERATING PROFIT**

This is stated after charging/(crediting):

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Profit on disposal of fixed assets	(2,545)	(491)
Hire of plant and machinery	52,076	48,870
Operating lease rentals	1,292	1,170
Finance lease charges	45	43
Auditors' remuneration – audit of the financial statements *	213	203
– other services	43	21
	<u>682,469</u>	<u>619,913</u>

\* Audit fees for the company amounted to £172,000 (2009 – £155,000).

**5. DIRECTORS' REMUNERATION**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Remuneration as executives	787	855
Group contributions to defined benefit scheme	75	88
Group contributions to defined contribution scheme	2	-
	<u>864</u>	<u>943</u>

Four of the Directors received employer contributions to the defined benefit scheme until the cessation of the scheme to future accrual in October 2010. Subsequently one director has received employer contributions to the defined contribution scheme.

The amounts in respect of the highest paid director are as follows:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Emoluments	<u>253</u>	<u>238</u>
Aggregate pension entitlement (per annum)	<u>100</u>	<u>100</u>

**Notes to the financial statements**  
at 31 December 2010

**6. STAFF COSTS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	116,676	115,922
Social security costs	11,126	10,926
Other pension costs	6,912	7,417
	<u>134,714</u>	<u>134,265</u>

Included in other pension costs are £5,220,000 (2009: £6,295,000) in respect of defined benefit schemes and £1,692,000 (2009: £1,122,000) in respect of the defined contribution schemes.

The average number of persons employed by the group during the year, including directors and excluding those employed by joint ventures, was as follows:

	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
Weekly paid staff	1,393	1,441
Monthly paid staff	1,645	1,650
	<u>3,038</u>	<u>3,091</u>

**7. INTEREST RECEIVABLE**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from parent undertaking	1,563	2,345
Bank interest receivable	62	76
	<u>1,625</u>	<u>2,421</u>

**8. OTHER FINANCE CHARGES**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets (note 21)	12,936	9,438
Interest on pension scheme liabilities (note 21)	(13,726)	(12,014)
	<u>(790)</u>	<u>(2,576)</u>

**Notes to the financial statements**  
at 31 December 2010

**9. TAX**

**(a) Tax on profit on ordinary activities**

The tax charge is made up as follows

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
UK corporation tax	1,503	4,463
Prior year adjustment	494	(150)
	<hr/>	<hr/>
Total current tax (note 9(c))	1,997	4,313
<b>Deferred taxation:</b>		
Current year	3,252	2,515
Prior year adjustment	(384)	(422)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>4,865</u>	<u>6,406</u>

**(b) Tax included in group statement of total recognised gains and losses**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Deferred taxation:</b>		
Actuarial gain / (loss) on pension scheme	1,397	(4,167)
	<hr/>	<hr/>
Total tax charge / (credit)	<u>1,397</u>	<u>(4,167)</u>

**(c) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than (2009 – lower than) the rate of corporation tax in the UK of 28% (2009 – 28%). The differences are reconciled below:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	<u>15,675</u>	<u>24,088</u>
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 28% (2009 – 28%)	4,389	6,745
Expenses not deductible for tax purposes	108	239
Depreciation in excess of capital allowances	408	320
Prior year adjustment	494	(150)
Short-term timing differences	(3,402)	(2,841)
	<hr/>	<hr/>
Current tax charge for year (note 9(a))	<u>1,997</u>	<u>4,313</u>

**Notes to the financial statements**  
at 31 December 2010

**9. TAX** (continued)

**(d) Deferred tax**

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Short-term timing differences on accruals and provisions'	1,418	1,576
Decelerated capital allowances	1,044	674
Rollover relief	360	360
	<hr/>	<hr/>
Included in debtors (note 15)	2,822	2,610
Included in creditors (note 16)	(51)	(80)
Included in pension liability (note 21)	5,520	9,780
	<hr/>	<hr/>
	8,291	12,310
	<hr/>	<hr/>
		<b>£000</b>
At 1 January 2010		12,310
Credit to group profit and loss account – note 9 (a)		(2,622)
Credit to statement of total recognised gains and losses		(1,397)
		<hr/>
At 31 December 2010		8,291
		<hr/>

**(e) Factors that may affect future tax charge**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Finance Bill 2010, which includes a reduction in the UK corporate tax rate to 27%, has been substantively enacted and so UK deferred tax assets and liabilities have been calculated at this rate

Although not substantively enacted, the UK government has announced its intention to further reduce the UK corporate income tax rate by enactment in successive Finance Bills, to 26% from 1 April 2011, and then by a further 1% per annum to 23% by 2014. The company will only recognise the impact of these rate changes in its financial statements once they are substantively enacted. However, for indicative purposes only, the maximum effect of the proposed reduction in the corporate income tax rate to 23% is to reduce the deferred tax balance as at 31 December 2010 to £7,062,000.

**Notes to the financial statements**  
at 31 December 2010

**10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The profit dealt with in the financial statements of the parent company was £10,487,000 (2009 – £21,545,000).

**11. INTANGIBLE FIXED ASSETS**

	<i>Goodwill</i> <i>£000</i>
Cost:	
At 31 December 2009 and 31 December 2010	2,903
Amortisation:	
At 31 December 2009	1,826
Provided during the year	206
At 31 December 2010	2,032
Net book value:	
At 31 December 2010	871
At 31 December 2009	1,077

Goodwill relates to the acquisition of Finchpalm Limited and is being amortised evenly over the directors' estimate of the remaining useful economic life of four years.

**Notes to the financial statements**  
at 31 December 2010

**12. TANGIBLE FIXED ASSETS**

**Group**

	<i>Freehold offices £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures, fittings, tools and equipment £000</i>	<i>Total £000</i>
Cost:				
At 31 December 2009	6,748	31,186	17,622	55,556
Additions	130	1,690	3,398	5,218
Disposals	(459)	(1,516)	(1,219)	(3,194)
At 31 December 2010	<u>6,419</u>	<u>31,360</u>	<u>19,801</u>	<u>57,580</u>
Depreciation:				
At 31 December 2009	1,321	21,278	10,802	33,401
Provided during the year	177	3,564	3,212	6,953
Disposals	-	(1,491)	(1,108)	(2,599)
At 31 December 2010	<u>1,498</u>	<u>23,351</u>	<u>12,906</u>	<u>37,755</u>
Net book value:				
At 31 December 2010	<u>4,921</u>	<u>8,009</u>	<u>6,895</u>	<u>19,825</u>
At 31 December 2009	<u>5,427</u>	<u>9,908</u>	<u>6,820</u>	<u>22,155</u>

**Company**

	<i>Freehold offices £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures, fittings, tools and equipment £000</i>	<i>Total £000</i>
Cost:				
At 31 December 2009	6,744	30,959	11,358	49,061
Additions	130	1,690	1,240	3,060
Disposals	(459)	(1,516)	-	(1,975)
At 31 December 2010	<u>6,415</u>	<u>31,133</u>	<u>12,598</u>	<u>50,146</u>
Depreciation:				
At 31 December 2009	1,316	21,053	7,856	30,225
Provided during the year	177	3,564	1,660	5,401
Disposals	-	(1,491)	-	(1,491)
At 31 December 2010	<u>1,493</u>	<u>23,126</u>	<u>9,516</u>	<u>34,135</u>
Net book value:				
At 31 December 2010	<u>4,922</u>	<u>8,007</u>	<u>3,082</u>	<u>16,011</u>
At 31 December 2009	<u>5,428</u>	<u>9,906</u>	<u>3,502</u>	<u>18,836</u>

**Notes to the financial statements**  
at 31 December 2010

### 13. INVESTMENTS

<i>Company</i>	<i>£000</i>
Shares in subsidiary undertakings at cost:	
At 31 December 2009	8,128
Movement in year	-
	<hr/>
At 31 December 2010	8,128
	<hr/> <hr/>

The company's subsidiary undertakings at 31 December 2010 are:

<i>Name of undertaking</i>	<i>Country of registration</i>	<i>Holding of ordinary shares %</i>	<i>Nature of business</i>
BAM Nuttall Demolition Limited	England	100	Dormant
Allbrook Contract Hire Limited	England	100	Contract hire
John Martin Construction Limited	England	100	Civil Engineering
Broadland Environmental Services Limited	England	90	Civil Engineering
Finchpalm Limited	England	100	Specialist rail electrical contractor

### 14. STOCKS

	<i>2010</i>	<i>Group</i>	<i>2010</i>	<i>Company</i>
	<i>£000</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	1,218	964	1,218	964
	<hr/>	<hr/>	<hr/>	<hr/>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

### 15. DEBTORS

	<i>2010</i>	<i>Group</i>	<i>2010</i>	<i>Company</i>
	<i>£000</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts recoverable on contracts	54,977	17,397	54,418	15,357
Trade debtors	96,234	84,459	87,802	76,652
Amounts owed by subsidiary undertakings	-	-	7,979	7,459
Amounts owed by parent and fellow group undertakings	55,334	71,315	55,334	71,315
Other debtors	2,305	2,179	2,272	2,131
Deferred tax (note 9(d))	2,822	2,610	2,800	2,601
	<hr/>	<hr/>	<hr/>	<hr/>
	211,672	177,960	210,605	175,515
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included within trade debtors for the Group is an amount of £ 6,780,000 which is due after more than one year (2009 – £6,360,000).

**Notes to the financial statements**  
at 31 December 2010

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2010</b>	<b>Group</b>	<b>2010</b>	<b>Company</b>
	<b>£000</b>	<b>2009</b>	<b>£000</b>	<b>2009</b>
		<b>£000</b>		<b>£000</b>
Payments on account on long term contracts	92,177	84,344	91,544	84,094
Amounts owed to subsidiary undertakings	-	-	-	2,500
Amounts owed to parent and fellow group undertakings	-	-	266	-
Trade creditors	58,678	33,050	57,361	31,086
Accruals and deferred income	55,016	55,821	53,376	54,590
Corporation tax	341	2,132	100	1,653
Other taxes and social security costs	10,239	10,782	9,129	10,522
Other creditors	8,317	7,589	7,887	7,450
Short term part of long term liability (note 20)	103	220	103	220
Deferred tax liability (note 9(d))	51	80	-	-
	<u>224,922</u>	<u>194,018</u>	<u>219,766</u>	<u>192,115</u>

There are no creditors falling due after more than one year. Amounts owed to parent and fellow group undertakings have no specified terms of settlement and are therefore considered current.

**17. SHARE CAPITAL**

There was no change to share capital during the year.

	<b>Authorised</b>	<b>Allotted</b>
	<b>2010</b>	<b>called up &amp;</b>
	<b>&amp;</b>	<b>fully paid</b>
	<b>2009</b>	<b>2010</b>
	<b>£000</b>	<b>&amp;</b>
		<b>2009</b>
		<b>£000</b>
150,000 3.85% redeemable cumulative preference shares of £1 each	150	-
27,000,000 ordinary shares of £1 each	27,000	27,000
	<u>27,150</u>	<u>27,000</u>

**Notes to the financial statements**  
at 31 December 2010

**18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

*Group*

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2009	27,000	54,010	81,010
Profit for the year	-	17,641	17,641
Actuarial loss on pension scheme	-	(10,715)	(10,715)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	27,000	60,936	87,936
Profit for the year	-	10,764	10,764
Actuarial gain on pension scheme	-	3,112	3,112
	<hr/>	<hr/>	<hr/>
At 31 December 2010	<u>27,000</u>	<u>74,812</u>	<u>101,812</u>

*Company*

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2009	27,000	44,850	71,850
Profit for the year	-	21,545	21,545
Actuarial loss on pension scheme	-	(10,715)	(10,715)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	27,000	55,680	82,680
Profit for the year	-	10,487	10,487
Actuarial gain on pension scheme	-	3,112	3,112
	<hr/>	<hr/>	<hr/>
At 31 December 2010	<u>27,000</u>	<u>69,279</u>	<u>96,279</u>

**19. CAPITAL COMMITMENTS**

<i>2010</i>	<i>Group 2009 £000</i>	<i>2010 £000</i>	<i>Company 2009 £000</i>	<i>£000</i>
Contracted but not provided for	86	-	86	-
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the financial statements**  
at 31 December 2010

**20. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS**

At 31 December 2010, the group and company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings 2010 £000</i>	<i>Land and buildings 2009 £000</i>	<i>Plant and machinery 2010 £000</i>	<i>Plant and machinery 2009 £000</i>
Operating leases which expire:				
within one year	333	95	24	-
within two to five years	413	772	-	72
in over five years	252	369	-	-
	<u>998</u>	<u>1,236</u>	<u>24</u>	<u>72</u>

At 31 December 2010, the group and company had amounts due under finance leases and hire purchase contracts as set out below:

	<i>2010 £000</i>	<i>2009 £000</i>
Amount payable:		
Within one year	114	251
In two to five years	131	217
	<u>245</u>	<u>468</u>
Less: finance charge allocated to future periods	(24)	(50)
	<u>221</u>	<u>418</u>
Finance leases and hire purchase contracts analysed as follows:		
Current obligations (see note 16)	103	220
Non-current obligations	118	198
	<u>221</u>	<u>418</u>

**Notes to the financial statements**  
at 31 December 2010

**21. PENSIONS**

**(a) Staff pension scheme**

The BAM Nuttall Limited contributory defined benefit pension scheme was closed to future accrual with effect from 31 October 2010, for members at this date, the link between past service to final salary remains for the calculation of benefits.

The valuation used for FRS 17 disclosures has been based on the most recent triennial actuarial valuation, 1 April 2009, and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme. Scheme assets are stated at their market values at the respective balance sheet dates.

	2010	2009	2008
Main assumptions:			
Rate of salary increases	3.70%	4.65%	4.20%
Rate of increase in pensions in payment (LPI)	3.30%	3.25%	2.80%
Rate of increase in pensions in payment (fixed)	5.00%	5.00%	5.00%
Discount rate	5.40%	5.70%	6.10%
Inflation assumption	3.40%	3.45%	3.00%

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

	<i>Long-term rate of return expected %</i>	<i>2010 Value £000</i>	<i>Long-term rate of return expected %</i>	<i>2009 Value £000</i>	<i>Long-term rate of return expected %</i>	<i>2008 Value £000</i>
Equities	7.25	140,559	7.10	129,279	6.50	95,520
Bonds	4.66	91,154	4.65	65,525	4.70	63,946
Cash	0.50	232	0.25	1,968	1.70	2,758
		<hr/>		<hr/>		<hr/>
Total market value of assets		231,945		196,772		162,224
Present value of scheme liabilities		(252,998)		(231,166)		(190,195)
		<hr/>		<hr/>		<hr/>
Pension liability before deferred tax		(21,053)		(34,394)		(27,971)
Related deferred tax asset		5,684		9,629		7,832
		<hr/>		<hr/>		<hr/>
Net pension liability		(15,369)		(24,765)		(20,139)
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

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

The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio for each scheme separately.

**Notes to the financial statements**  
at 31 December 2010

**21. PENSIONS (CONTINUED)**

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Current service cost	4,094	3,425
Total operating charge	<u>4,094</u>	<u>3,425</u>
Expected return on pension scheme assets	12,504	9,112
Interest on pension scheme liabilities	(13,237)	(11,620)
Total other finance costs	<u>(733)</u>	<u>(2,508)</u>
Actual return less expected return on pension scheme assets	10,752	14,454
Experience (loss) / gain arising on scheme liabilities	(5,716)	623
Loss arising from changes in assumptions underlying the present value of scheme liabilities	(1,765)	(29,406)
Actuarial gain / (loss) recognised in the statement of total recognised gains and losses	<u>3,271</u>	<u>(14,329)</u>
Analysis of movements in the deficit during the year:		
	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
At 1 January	(24,765)	(20,139)
Total operating costs	(4,094)	(3,425)
Total other finance costs	(733)	(2,508)
Actuarial gain / (loss)	3,271	(14,329)
Movement in related deferred tax asset	(3,945)	1,797
Contributions	14,897	13,839
At 31 December	<u>(15,369)</u>	<u>(24,765)</u>

The history of gains and losses are as follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Fair value of the plan assets	231.9	196.8	162.2	160.9	140.2
Present value of the benefit obligation	(253.0)	(231.2)	(190.2)	(207.3)	(189.2)
Gross deficit	<u>(21.1)</u>	<u>(34.4)</u>	<u>(28.0)</u>	<u>(46.4)</u>	<u>(49.0)</u>
Experience adjustments gain/(loss) on plan assets	10.7	14.4	(24.0)	5.3	3.5
Experience adjustments gain / (loss) on benefit obligations	5.7	(0.6)	(2.2)	(3.0)	(5.4)

**Notes to the financial statements**  
at 31 December 2010

**21. PENSIONS (CONTINUED)**

The company contributions to the scheme were reviewed and maintained at 18.2% following the triennial valuation as at 1 April 2009. During the year ordinary contributions amounted to £5,134,000 (2009 £6,162,000). In addition the company made a special contribution totalling £9,776,000 (2009 £7,677,000).

	<i>Contributions in the Year</i>		<i>Amounts outstanding</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Ordinary contribution	5.1	6.2	-	0.5
Special contribution	9.8	7.7	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The company's best estimate of contributions to be paid in 2011, consisting of a special contribution, is £10,000,000.

**(b) Citrus scheme**

The group contributes to a multi-employer contributory defined benefit scheme for employees taken on under local authority contracts.

The Company contributes to the scheme at various levels which are determined by independent qualified actuaries on the basis of triennial valuations using the projected unit credit funding method. The calculations have been based on the provisional results of the valuation as at 31 March 2009.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2010. Scheme assets are stated at their market value at respective balance sheet dates.

<i>Main assumptions</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
Rate of salary increases	3.70%	4.00%	4.00%
Rate of increase in pensions in payment	2.90%	3.45%	3.00%
Discount rate	5.40%	5.70%	6.10%
Inflation assumption	2.90%	3.45%	3.00%

**Notes to the financial statements**  
at 31 December 2010

**21. PENSIONS (CONTINUED)**

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

	<i>Long-term rate of return expected</i> %	<b>2010</b> <i>Value</i> £000	<i>Long-term rate of return expected</i> %	<b>2009</b> <i>Value</i> £000	<i>Long-term rate of return expected</i> %	<b>2008</b> <i>Value</i> £000
Equities	7.25	5,700	7.00	4,392	6.30	3,993
Corporate Bonds	5.40	1,073	5.70	1,009	6.70	691
Government Bonds	4.45	1,492	4.50	1,436	3.80	968
Property	7.25	475	7.00	391	-	-
Cash	0.25	760	2.00	672	2.00	492
		<hr/>		<hr/>		<hr/>
Total market value of assets		9,500		7,900		6,144
Present value of scheme liabilities		(8,894)		(8,441)		(6,360)
		<hr/>		<hr/>		<hr/>
Pension asset / (liability) before deferred tax		606		(541)		(216)
		<hr/>		<hr/>		<hr/>
Related deferred tax (liability) / asset		(164)		151		60
		<hr/>		<hr/>		<hr/>
Net pension asset / (liability)		442		(390)		(156)
		<hr/>		<hr/>		<hr/>

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

The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio for each scheme separately.

**Notes to the financial statements**  
at 31 December 2010

**21. PENSIONS (CONTINUED)**

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Current service cost	336	294
Total operating charge	<u>336</u>	<u>294</u>
Expected return on pension scheme assets	432	326
Interest on pension scheme liabilities	(489)	(394)
Total other finance costs	<u>(57)</u>	<u>(68)</u>
Actual return less expected return on pension scheme assets	662	934
Experience gain /(loss) arising on scheme liabilities	41	(284)
Gain / (loss) arising from changes in assumptions underlying the present value of scheme liabilities	289	(1,203)
Actuarial (loss) recognised in the statement of total recognised gains and losses	<u>992</u>	<u>(553)</u>
Analysis of movements in the deficit during the year:		
	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
At 1 January	(390)	(156)
Total operating charge	(336)	(294)
Actuarial gain /(loss)	992	(553)
Total other finance costs	(57)	(68)
Movement in related deferred tax (liability) / asset	(315)	91
Contributions	548	590
At 31 December	<u>442</u>	<u>(390)</u>

**Notes to the financial statements**  
at 31 December 2010

**21. PENSIONS (CONTINUED)**

The history of gains and losses are as follows:

	2010	2009	2008	2007	2006
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Fair value of the plan assets	9.5	7.9	6.2	4.4	3.6
Present value of defined benefit obligation	(8.9)	(8.4)	(6.4)	(4.4)	(3.7)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross deficit	0.6	(0.5)	(0.2)	-	(0.1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Experience adjustments gain / (loss) on plan assets	0.7	0.9	(1.7)	(0.1)	-
Experience adjustments (loss) / gain on benefit obligations	-	(1.5)	1.0	(0.1)	0.9
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Regular contributions made by the company during the year amounted to £376,000 (2009 £523,000). In addition, the company made a special contribution of £172,000 (2009 £67,000)

The company expects to make a contributions of £626,000 in 2011, of which £276,000 will be special contributions.

**(c) Contributory pension schemes**

The group has made arrangements for employees to participate in three separate defined contributory schemes, the B&CE Retirement Benefit scheme, Local Authority defined Contributory scheme and a staff defined contributory scheme. The aggregate employer contribution paid to schemes amounted to £1,692,000 (2009 £1,122,000).

**22. CONTINGENT LIABILITIES**

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

(b) The company, along with other group companies, has provided a guarantee against a €200m million (2009: €200 million) subordinated term loan and a guarantee against a €475 million (2009: €550 million) committed credit facility and a €360 million (2009: €360 million) term loan facility advanced to its ultimate parent undertaking, Royal BAM Group n.v., and 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. The amount of the subordinated term loan outstanding at the year end was €200 million (2009: €200 million); the amount drawn under the committed credit facility at the year end was €nil (2009: €nil); and the amount drawn under the term loan facility was €360 million (2009: €360 million).

(c) The group is party to various claims arising in the ordinary course of business. Provision has been made within the financial statements where necessary. The directors are of the view that other claims have no significant impact on the result of the group and company.

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

(e) The company along with other UK subsidiary companies of BAM Group n.v., is party to a guarantee in respect of any individual company balance within the cash pooling facility provided by National Westminster Bank plc. At 31 December 2010, one of the companies in the pooling facility had an overdraft of £70.3m (2009 - £69.6m). The net overdraft position in the cash pooling facility at 31 December 2010 was £nil (2009 - £nil). This guarantee is not expected to give rise to any loss.

### **23. RELATED PARTY TRANSACTIONS**

The group has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to disclose details of transactions between wholly owned undertakings of the Royal BAM Group n.v. which prepares fully consolidated financial statements.

### **24. PARENT UNDERTAKINGS AND CONTROLLING PARTY**

The company's immediate parent undertaking is BAM Group (UK) Limited, a company incorporated in England and Wales. This is the smallest group of undertakings of which the company is a member. Group financial statements are not prepared.

The largest group of undertakings of which the company is a member and for which group financial statements are prepared is Royal BAM Group n.v., a company incorporated in The Netherlands. A copy of the group financial statements is available from the Company Secretary, BAM Group (UK) Limited, St James House, Knoll Road, Camberley, Surrey GU15 3XW.

At the balance sheet date the ultimate parent undertaking and controlling party was Royal BAM Group n.v.





Needles Lighthouse



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BAM Nuttall Limited is an operating company of the  
European construction group Royal BAM