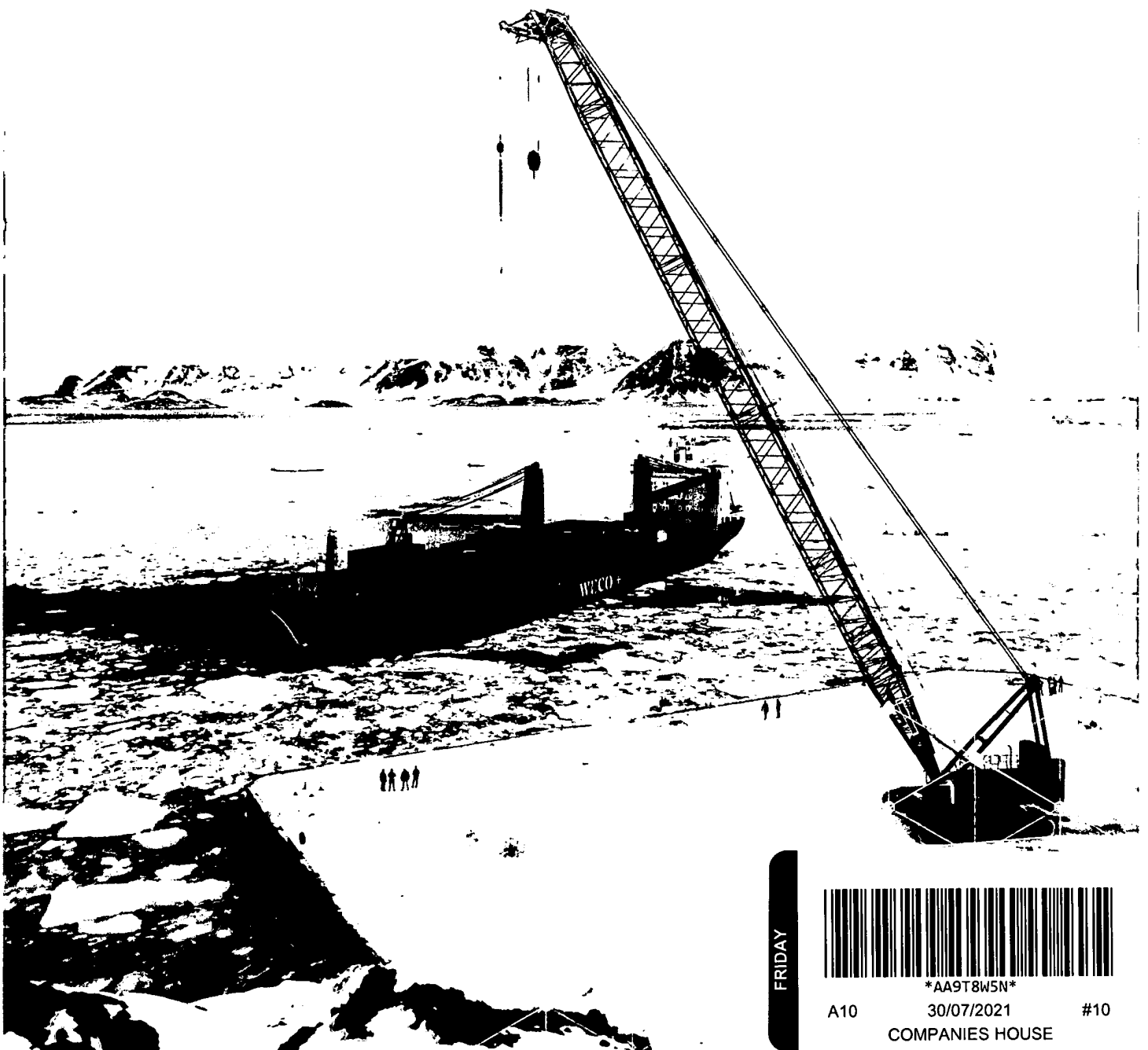




BAM Nuttall Limited

Annual Report and Accounts **2020**



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We are BAM Nuttall



BAM Nuttall is a leading civil engineering business, delivering design and construction services, creating sustainable environments that enhance people's lives.

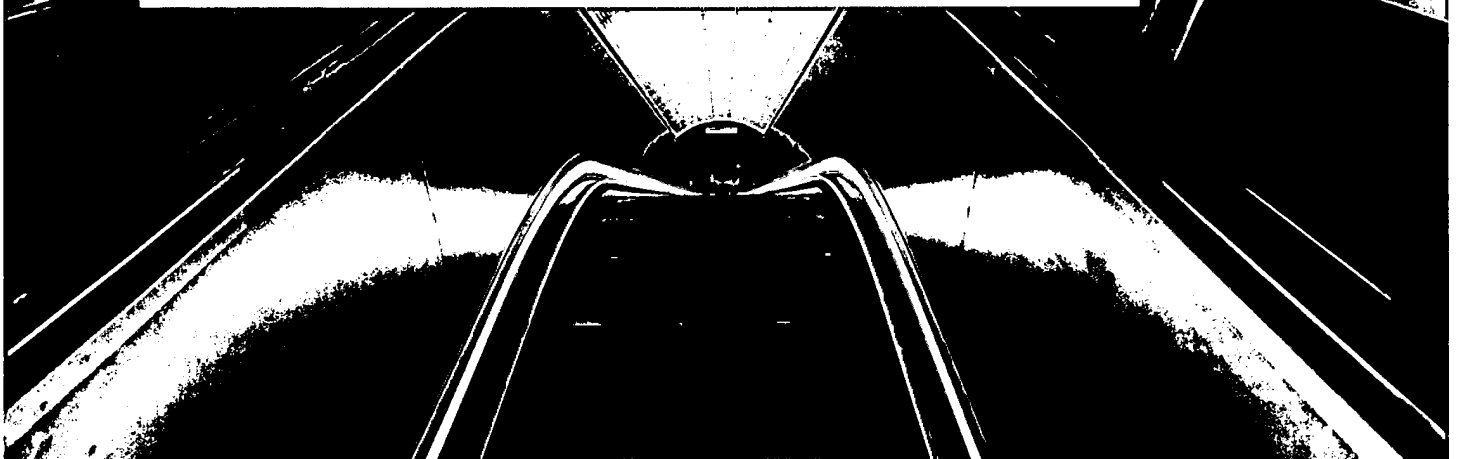
We are committed to net zero carbon operations by 2030.

From offices around the country, our teams collaborate with public and private sector clients to create and maintain sustainable outcomes while delivering long-lasting social value for the communities we live and work in.

To help us deliver projects and services in a lean, green and more efficient way, we use the latest digital technologies and modern construction methods. We heavily invest in skills which underpin our self delivery capability. And are supported by expert partners and a highly valued supply chain of specialist subcontractors.

We constantly strive to improve the built environment by attracting and developing a more diverse workforce and reducing the carbon emissions associated with how infrastructure is designed, built, and maintained throughout its lifecycle.

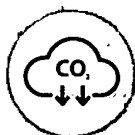
We are a high-performing design and construction partner who collaborates with our infrastructure clients and supply chain, forging strong, strategic alliances that create value and deliver sustainable outcomes.



Year in review



BAM placed on CDP's
'A list'
for acting on climate change by
driving CO₂ reductions,
mitigating climate risks and
developing a low carbon economy



CO₂ forecasts
consistent with BAM
Science Based Targets
**carbon reduction
pathway**



24,202
lives enhanced
and charity donation
doubled to £52k



£3.4bn
record
order book



Established a Strategic
Accounts & Marketing
team, focused on **deep,**
strategic and sustainable
client relationships



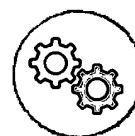
Order book comprised of
75%
negotiated two-stage
contracts



Delivered **vital**
infrastructure to
keep Britain's **key**
workers moving



4
@BAM people
networks launched
along with an
Inclusion Steering Group



The **Construction Playbook**
launched, proposing to deliver
many of the outcomes we have
been lobbying for - **more**
inclusive procurement and
fairer treatment of contractors



300 UK apprentices
and **100** graduates
(12% of total
UK employees)



75
BAM employees awarded
academic and professional
qualifications



Became a proud
Strategic Partner with
inclusion change-makers,
WISE (Women In Science
and Engineering)

Chief Executive's foreword



2020; a strong performance made possible by the resilience and **solid collaborative foundation** of our people, suppliers, clients and local communities. We carried on operating **safely, profitably and sustainably** thanks to our embedded culture focused on strong client and industry relationships. Our continued success winning sustainable work closed the year with a **record £3.4bn order book**.



Adrian Savory, BAM Nuttall Chief Executive

The COVID-19 pandemic has had a profound impact on lives and livelihoods. During 2020 our people, suppliers, clients and local communities tackled unique challenges, mobilising the resilience we've built over time, on a strong foundation of collaboration, to deliver a safe and predictable performance.

We thank all our people and their families for their outstanding commitment and contribution which achieved this performance in 2020. And we thank our colleagues working alongside us on projects, in our clients' and JV partners' and suppliers' businesses, and across our industry for their mutual support. This year has proved to us all that, together, we can do things so differently when we need to – and do them more safely, sustainably, healthily and inclusively for all.

Turnover exceeded 2019 levels, £844m (2019: £770m), despite challenging market conditions we delivered a profit before tax of £11.6m (2019: £15.3m), resulting in a margin of 1.4% (2019: 2.0%). We continued to win sustainable work, closing the year with a record £3.4bn order book. Our outlook is underpinned by repeat business and very high levels of two-stage negotiated contracts. This resulted from a commitment to, and alignment with, our 2015-2020 strategy.

Focus on strong client and industry relationships

I believe that we continued operating, safely, profitably and sustainably, and winning high-quality new business because our focus on strong client and industry relationships is embedded in our business and culture. This focus is our platform for growth in the future.

In 2020 we established our Strategic Accounts and Marketing team, who work in tandem with our delivery centres, focused on building deep, strategic and sustainable relationships with our clients. Understanding their strategic drivers and goals allows us to increase opportunities which creates a more financially resilient, lower carbon industry, building a better future.

Following the first lockdown, governments permitted construction companies to continue work thanks to the sector's rapid response to mitigating risks. Teams collaborated with clients and suppliers, using technology and data-driven digital models to quickly adapt and re-design working methods and schedules. And in many cases, the pandemic has created an opportunity to transform the way we work for good.

The solutions developed across sites to respond to challenges of the pandemic enhanced our pioneering research programme with our sister company BAM Construct and Timewise, piloting flexible working for the construction industry, particularly on sites. The results and insights have shaped our new Flexible Working



Chief Executive's foreword

Policy and our plans for implementing it in 2021 to help further modernise our industry.

Safety, health & wellbeing

In line with government advice, anyone who could work from home did so. This significantly reduced the number of people in offices and on site. We continue to aspire to improve the health, safety and wellbeing of everyone who works with BAM Nuttall and impacted by our activities. *Our focus on continuously improving safety performance remains our highest priority.* In 2020 the main cause of safety incidents involving lost time, related to access and manual handling. Our accident rate is low, and we continue to pursue further improvement.

However, new working arrangements dispersed teams used to working 'face-to-face' and socialising together, creating new well-being concerns for colleagues removed from regular contact, some working in complete isolation and others in busy home environments with different demands.

The impact of broad societal challenges and significant global events, such as climate change and Black Lives Matter - in addition to the pandemic - caused many to feel more anxious and upset than would be usual.

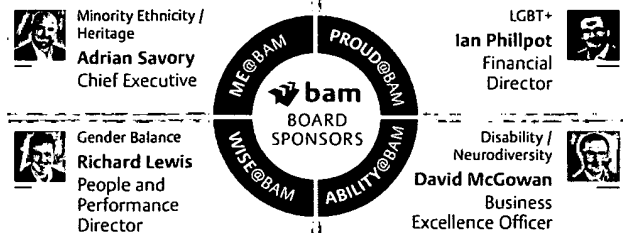
In 2020 our focus intensified, and investment increased to support people's health and wellbeing, increase diversity and improve inclusion. The correlation between wellbeing and belonging is an important factor for involving and including as many colleagues as possible.

Providing people with support including flexible hours, mentoring and regular practical health advice – as well as developing numerous opportunities for people to connect virtually, sharing their experiences, ideas and passions - has been a significant area of investment and attention across the business. We see a continuing increase in the uptake of the volunteering day and two wellbeing days offered to all employees in addition to their holiday leave.

We formed a Centre of Expertise (CoE) for Social Impact and Inclusion, an Inclusion Steering Group (ISG), and launched four @BAM People Networks. The CoE supports our delivery centres and colleagues, communities and

customers to work together with consistency, driving change and measuring impacts of that change including the adoption of the Social Value Portal.

Our people networks, covering gender parity (WISE@BAM), LGBTQ+ (PROUD@BAM), minority ethnicity (ME@BAM), and disability/neurodiversity (ABILITY@BAM), represent and amplify the voices of minorities and allies. We organised numerous peer to peer events and activities, aligned with national and international campaigns, including National Inclusion Week and Women In Engineering, sharing their experiences and proposing ideas to improve company policies and procedures. We look forward to seeing the networks further flourish in 2021.



We have almost reached 1:4 gender balance across our business, by focusing on career and succession planning, and recruitment. And our efforts to close our gender pay gap are achieving results, including 6.6% improvement in the mean average to 24.8%.

Enhancing lives, supporting local communities and economic growth

How our industry and people responded at the outset, and throughout, the pandemic is indicative of the increasingly important role of engineers in society. We supported multiple sectors keeping people moving - including key workers operating hospitals, health and emergency services, and keeping essential products on shelves.

And behind the scenes we support local communities, continuing to offer employment opportunities and drive future economic growth. In 2020 we committed to the Chancellor's Kickstart Scheme, creating 6-month work placements for young adults. We look forward to welcoming them into our business in 2021.



Chief Executive's foreword

Virtual STEM and work experience activities, delivered by our project teams and individuals using their volunteering time, achieved connections with 10,000 marginalised young people accessing vital STEM outreach opportunities, such as Leeds Apprenticeship Festival. We enhanced the lives of 24,202 people during 2020. This is less than the 42,000 in 2019 due to COVID-19 restrictions. The Company continued its support of the charities MIND, Macmillan, Shelter and Mencap, with contributions doubling on the previous year, boosted by employee efforts.

I'm pleased we've strengthened our opportunities for early careers talent, bringing together apprentices across BAM Nuttall and BAM Construct for the first time as a combined college cohort after listening to the businesses' needs. Around 40 BAM Nuttall and 12 BAM Construct apprentices attend Leeds College of Building each year, joining over 300 employed nationally by BAM. This merger enhanced inclusivity and collaboration across our organisations.

Towards net zero

The Company aims to have a net positive impact on climate change, material resources and society by 2050. We are supporting clients to achieve more ambitious targets, including net zero by 2030 for specific projects. BAM Nuttall's performance in 2020 has contributed to Royal BAM Group maintaining its 'A' listing on the CDP leadership index – a key part of the Group's sustainability strategy

The global drive for leaner and greener construction, and engineering solutions, has considerable government support, with the publication in 2020 of the UK Government's 10 Point Plan and new Construction Playbook. Setting out a better way of commissioning infrastructure means building net-zero carbon assets will be faster, clients' operations are more effective, and the construction sector - which is one of the country's biggest employers - can become a leading industry in this space.

The Playbook encourages the adoption of modern methods of construction and lower carbon materials. These are areas in which BAM has significant experience. We continue to leverage our deep understanding of construction processes gained through self-delivery of technological innovations such as BIM, robotics, 3D

printing, virtual and augmented reality and modular/offsite construction, so we can further improve sustainability, manage risks and meet clients' programme and cost requirements.

We use our mature energy and carbon measurement systems to focus on reducing our use of liquid fuel, responsible for two-thirds of our direct carbon emissions. A significant proportion relates to the use of very large and numerous earthmoving vehicles exclusively powered by gas oil. We're trialling alternative plant-based fuel and other low carbon construction materials, such as cement-free concrete to reduce carbon emissions across our project portfolio.

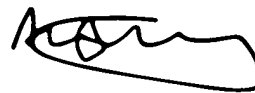
We played an active role in responding to calls for action in 2020, from Construction Leadership Council (CLC) and CECA's CO2structZero campaign, and the Institution of Civil Engineering's (ICE) #shapezero campaign, for increased industry collaboration to accelerate carbon reduction.

2020 - a year of resilience and valuable experience

Right from the outset, 2020 was a challenging year, with vulnerable communities hit by floods and commuter trains stopped in their tracks by landslides. The year has been packed full of valuable learning and experience, driven by COVID-19 and society's accelerating shift towards a climate-resilient, lower carbon economy.

These challenges have supported our strategic planning by helping us reflect on what are we good at, who we work well with, what more we can do and what we can improve. Our clients, suppliers and employees generously gave their time to share their views on our performance and help shape our medium-term strategy.

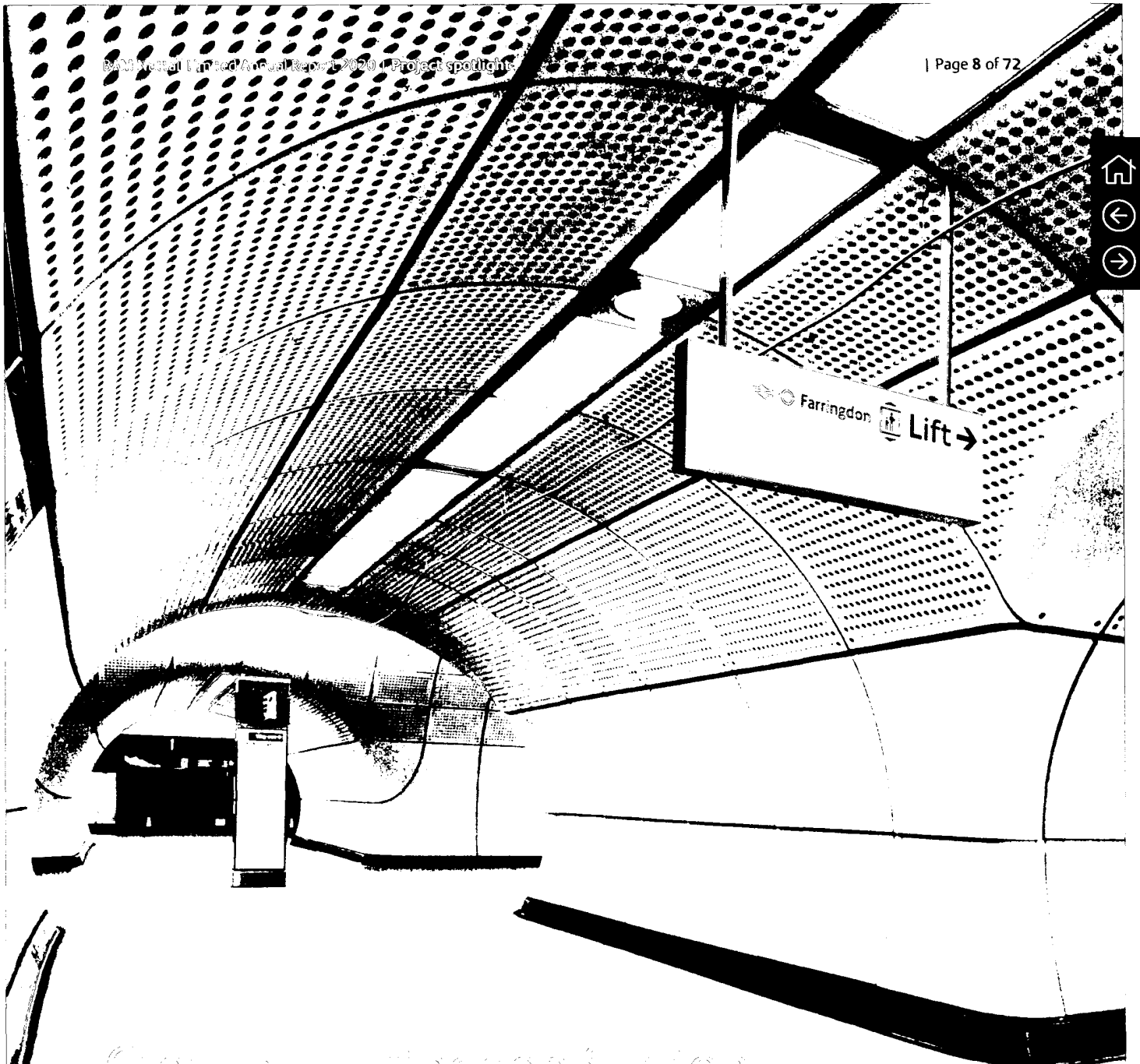
Looking ahead, I believe we enter 2021 as a strong business. We continue to be supported by our strong order book and by the ongoing commitment and collaboration of our employees and all those we work alongside.



Adrian Savory

Chief Executive, BAM Nuttall, 27th May 2021





BREEAM excellent accredited for its commitment to sustainability

The first completed Crossrail station, Farrington provides step-free access for passengers from street to train.

Predicted to be one of the busiest in the UK, the station connects Thameslink and the London Underground, providing links with outer London, the home counties, the City, Canary Wharf and three of London's six airports.

Delivered by the BAM Ferrovial Kier (BFK) joint venture.

Strategic report

Business performance

2020 with COVID-19 was undoubtedly an economically unprecedented year. Our Company has performed well having achieved a turnover in excess of 2019, and although profit percentage is down due to market conditions, it is at a similar absolute level to 2019. We generated a profit before tax of £11.6m (2019: £15.3m) on a turnover of £844m (2019: £770m) producing a margin of 1.4% (2019: 2.0%). Our order book at year-end reached a record £3.4bn. Our outlook remains optimistic but cautious.

Business performance

Record **£3.4bn** of good quality order book

This predictable performance resulted from a solid foundation of strong collaboration, across our teams, clients and our industry stakeholders, creating strength and resilience in a globally turbulent year. Thanks to the quality and commitment of our people, partners, and clients, and their ongoing support and encouragement,

we continued to see shining examples of excellence in the delivery of our work. And secured sustainable work for the future.

Strategic partnerships across the industry, including Construction Leadership Council (CLC), provided clear and consistent guidance, and strong, visible leadership. Our teams responded to new ways of working with tremendous flexibility and creativity, sharing practical advice and innovative adaptations for how to carry out tasks - while continuing to improve safety and productivity.

The use of digital construction tools and models allowed teams to increase remote working, reschedule and plan work fast - while complying with local and national restrictions. And our digital business platforms supported the fast distribution of news, while managers, supervisors, HR business partners and our people networks, provided emotional support and reassurance.

A total of 668 members of staff were furloughed in 2020, the numbers per month varied, but the majority returned to work within weeks and months, as sites reopened and new solutions implemented.

Summary of key performance indicators:



Company turnover

£844m

2020	£844m
2019	£770m



Profit before taxation

£12m

2020	£12m
2019	£15m



Year end construction work in hand

£3,413m

2020	£3,413m
2019	£2,525m



Cash and cash equivalents

£143m

2020	£143m
2019	£159m



Shareholder's funds at year end

£122m

2020	£122m
2019	£130m



Working capital

£109m

2020	£109m
2019	£92m



Strategic report





Organisational overview

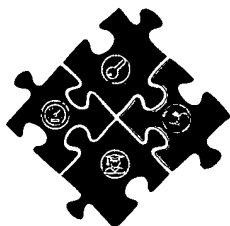
BAM Nuttall (the Company) is a wholly owned subsidiary of the Royal BAM Group n.v. Our purpose is to enhance people's lives by creating sustainable environments. We design, construct and maintain civil engineering infrastructure across sectors, through three delivery centres – Transport, Major Projects and Regions.

Our delivery centres have their own Preconstruction and Delivery Services, with Finance, Information Technology and Human Resources providing support. A Business Excellence team supports the three delivery centres, supporting knowledge sharing and using strategic drivers including digital construction, innovation and sustainability.

2020 continued to see a greater collaboration of all support services across the UK companies and more widely across the Royal BAM Group leveraging knowledge sharing and improving efficiency. We will build on this further in 2021.

Aligning with BAM's four values employees use the guidance in our Code of Conduct to bring these to life through our daily interactions with others and through our strategic decision-making:

-  Predictable Performance
-  Proactive Ownership
-  Open Collaboration
-  Scalable Learning



Value creation

BAM Nuttall creates value for employees, clients, stakeholders and for wider society by delivering infrastructure for transport, including roads, railways, airports; utilities, tunnelling, marine and flood defences.

BAM Nuttall also creates added value by operating ethically and sustainably. We provide employment, apprenticeship and training opportunities for people, and supporting the businesses, communities and charities local to our operations.

Key features of our sustainability strategy are to achieve net positive carbon and to enhance people's lives by creating a positive impact in the communities where we work.

Principal risks and uncertainties

The Company regularly reviews the principal risks and uncertainties within the business both on a national level and a sector level. The principal risks are associated with finance and legislation. When we identify risk we implement controls and mitigation strategies to reduce the overall impact on the business. The current principal risks and uncertainties are identified below along with controls and mitigation strategies.

COVID-19

The COVID-19 pandemic has fundamentally impacted the UK economy and our industry, introducing an increased risk to all areas of the Company in 2020.

The Directors have monitored the situation closely throughout 2020. From March 2020, the Directors introduced increased operational reporting and review across all sites to ensure high visibility of the potential impact on productivity and delivery to our stakeholders that may result from COVID-19. In addition, the Directors have ensured that the Company complies with all Government guidelines in order to operate in a safe manner on all sites. The Directors have also focused on cash management and collaboration with suppliers, customers and all our stakeholders to achieve as much efficiency as possible.

We responded to the challenges created by COVID-19 by enhancing our collaborative relationships with our stakeholders and maximising the adoption and use of digital technology to mitigate the impact on delivery and financial performance.

COVID-19



BAM Nuttall directly responded to the UK government's Kickstart Scheme, creating 6-month work placements for young adults



Strategic report

BAM Nuttall will continue to monitor the impact of COVID-19 very closely to make sure that our people, and supply chain, work in a safe environment. We will consider using any future government support and manage the cost base in an efficient manner.

Emerging Health and Safety and Environmental Risks

The Company recognises the importance to its employees and society as a whole that the workplace is safe and healthy, and that the tasks carried out don't compromise the surrounding environment. Having set minimum standards to be followed these are measured relative to emerging legislation, supported by continuous improvement and employees' feedback, making sure these risks are managed effectively.

UK Economy Risk – Brexit impacts and uncertainty internationally

The outcome of the negotiations, during the transition period, between the UK Government and the EU, prior to the UK's departure from the EU on 31 December 2020, had been monitored closely with a specific focus on the impact of freedom of movement on the availability of a skilled workforce to deliver the planned pipeline of works, changes to importing construction materials and the use of EU suppliers following the introduction of new rules from 1 January 2021.

It is acknowledged that the government's clear working majority will provide much greater certainty and allow actions to be implemented by the government. This in turn allows us to plan and respond to the market in a more structured manner and reduces the uncertainty for our business.

UK Economy Risk

We have seen minimal Brexit disruption to date



Skills Risk

Notwithstanding the impact of Brexit, there remains the need to train and maintain a skilled workforce. With a retiring workforce and technology creating new

opportunities, engineering is suffering from severe skills shortages, and new talent is needed urgently.

More diversity is needed to boost creativity and innovation, fill the skills gap and lift productivity.

The Company makes a significant investment in skills and training and supports the CITB and the Apprentice levy. We will continue to lobby for further support and improvement to the systems that support them. With a retiring workforce and technology creating new opportunities, engineering is suffering from severe skills shortages, and new talent is needed urgently.

Credit Risk

The Company's policy is to trade only with recognised, creditworthy parties. It is the policy of the Company 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 and corporate level, with the objective of minimising the Company's exposure to bad debts.

COVID-19 did not have any material adverse impact on the credit risk of the Company.

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 two year forward plan in the annual Operating Plan. See also the Going Concern section of the Directors' Report.

Price Risk

This risk relates to our ability to properly evaluate the cost of projects at bid stage, the control and recording of these costs during the delivery stage 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 Company's formalised control processes and business procedures, including preparation of monthly project cost reports and a detailed quarterly review of projects by the Board.



Strategic report

Legislative Risk

These relate primarily to health, safety, environmental and corporate issues. Each of these issues receives significant focus at appropriate levels within the Company and mandatory policies and procedures have been implemented in order to manage these issues.

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

Future strategy – Building a sustainable tomorrow 2021-23

Along with other operating companies in the Royal BAM Group, we have been aligned to a five-year business plan, ending in 2020, delivering our strategy for 'Building the present, creating the future.'

As the Royal BAM Group heads into 2021 a new three-year strategy has been developed: 'Building a sustainable tomorrow'. This will deliver increased profitability and continued de-risking by focusing on markets and projects where BAM has proven competitive strengths, creating a platform for future growth. BAM Nuttall, as a cornerstone of the Royal BAM Group, will play a significant part in this strategy.

Future strategy

A focus on markets where BAM has proven competitive strengths, creating a **platform for future growth**

As our order book remains strong, we will be applying a conservative approach to 2021 and beyond due to the COVID-19 pandemic. The directors are also monitoring the changing UK political landscape resulting from the UK's exit from the EU at the end of 2020. Our industry remains in an uncertain position as the future impact of Brexit on issues such as access to labour, and EU imports remain to be seen. The directors have put various measures in place to deal with scenarios that may arise.

We're applying the lessons learnt over the past five years and using insights from the accelerated change in the past year, for adopting new and flexible ways of

working, to create a safer, healthier, more diverse and engaging organisation. Delivery of growth and improved business performance is dependent on BAM being at the forefront of digital construction and data management techniques. These platforms and tools have unlocked new opportunities for our people - whether working on sites, at home or in offices - and their communities, to continue connecting and collaborating.

As part of the strategy, all operating companies are supporting and participating in the alignment of Royal BAM Group policies, processes and procedures for core functions, including Information Security, Human Resources, Finance and Procurement. This alignment will support individuals, teams and operating companies to leverage their combined capabilities and improve productivity and performance across BAM.

Strategic client focus

The Company maintains a balanced portfolio of infrastructure construction spanning road, rail, flood defence, marine, tunnelling; utilities including low-carbon energy, as our primary market segments. This approach avoids dependency on any one part of the portfolio or procurement route.

Our portfolio is dominated by frameworks and early contractor involvement projects, such as British Antarctic Survey and the Antarctic Infrastructure Modernisation Programme.

In 2020 we established our Strategic Accounts and Marketing team, who work in tandem with our delivery centres, focused on building deep, strategic and sustainable relationships with our clients. Understanding their strategic drivers and goals allows us to increase opportunities which creates a more financially resilient, lower carbon industry, building a better future.

Strategic client focus

Our new Strategic Accounts & Marketing team focuses on building **deep, strategic and sustainable client relationships**



Strategic report

With the publication of the new Construction Playbook, and the Green Book, UK Government has set out a better way of commissioning new buildings and infrastructure. A new approach means building net zero carbon assets will be faster, clients' operations are more effective, and the construction sector - which is one of the country's biggest employers - can become more profitable and less vulnerable.

Strategic client focus

The Construction Playbook proposes to deliver many of the outcomes BAM has been lobbying for - **more inclusive procurement, collaboration and fairer treatment of contractors**

Bundling projects into portfolios with longer-term contracts will lead to increased visibility of opportunities and improve both programme management and procurement. Sharing of industry standardised designs, systems, components and materials, used in similar types of construction, will lead to the development of more low carbon techniques, 'kit-of-parts' approaches and industrialised construction to support achieving net-zero targets.

Our strategic approach explores clients' future needs and demands, matching to the most sustainable, market-leading, modern solutions and our vast experience of implementation. Going beyond project delivery the focus of these collaborative relationships includes understanding broader impacts, and delivering social value, during and beyond construction, for communities and society.

Strategic client focus

The Construction Playbook encourages the adoption of **modern methods of construction and lower carbon materials** - areas in which BAM has significant experience

Corporate responsibility - Ethics and standards

The Board recognises that the ability of the Company to generate value relies on harnessing our intellectual, human, social and relationship capital. We aim to do this by being a responsible employer, conducting our business ethically, operating in an environmentally sustainable way and enhancing the lives of the people in the communities where we work. The Group maintains a number of robust internal mechanisms to ensure that we conduct our business to high ethical standards.

Employees can raise any concerns about unethical activities through the Group's anonymous third-party reporting mechanism. In addition, the BAM Worldwide Safety Day in 2020 focused on asking everyone to "speak up" in order to make the workplace a healthier, happier, productive, and therefore safer place.

The prevalence of fraud within the industry continues to be an area of risk in the Group. As a consequence, we communicate and work closely with our clients and suppliers to highlight the risk of third-party fraud. Ensuring our employees remain vigilant about the risk of fraud is an important mitigation strategy and we encourage them to raise any issues of concern through management channels.

People

The Board recognise, celebrate and thank our people for the outstanding qualities they bring. The positive, supportive culture created throughout our business is a competitive advantage.

All employees connected to the Company network had the opportunity to participate in BAM Panel, confidential employee pulse surveys, and results and impacts from this are briefed across our channels. The survey is run monthly by Royal BAM Group and rotates through all employees each quarter. The Company directly employed 3,012 people at 31 December 2020.

In 2020 our focus intensified to support people's health and wellbeing, increase diversity and improve inclusion, responding to both the impact of significant global events - including the pandemic and Black Lives Matter



Strategic report

- and feedback from our employees. The correlation between wellbeing and belonging is an important factor for involving and including as many colleagues as possible.

Diversity & inclusion

BAM Nuttall is committed to achieving a balance in our employee population, that better reflects society, benefits the business, and enhances people's lives. Aiming to increase the attraction of construction and engineering as a destination for diverse talent, we continued to partner with industry organisations including Building Equality and WISE (Women In Science and Engineering), becoming a 'Strategic Partner' in 2020.

Diversity & inclusion

We are a proud **WISE Strategic Partner**, supporting our work to achieve equality and build a **more diverse, higher-performing industry**

A focus on women in our career and succession planning, and the introduction of targets for female new hires, increased the ratio of women in the middle and highest levels of our business. We have almost reached 1:4 gender balance, across our business. We are pleased our efforts to close our gender pay gap are achieving results, including 6.6% improvement in the mean average to 24.8%.

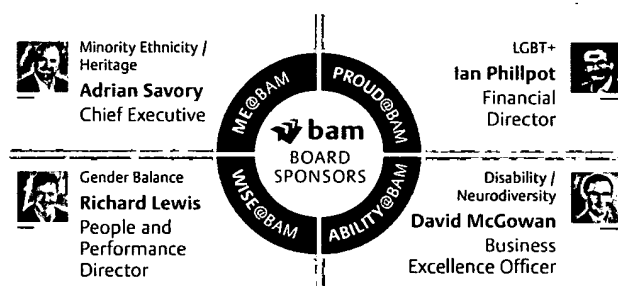
Diversity & inclusion

Efforts to close our gender pay gap are achieving results, including 6.6% improvement in the mean average to 24.8%

We formed a Centre of Expertise (CoE) for Social Impact and Inclusion, an Inclusion Steering Group (ISG), and launched four @BAM people networks, responding to the need for a greater sense of belonging and inclusion. The CoE supports our delivery centres and colleagues,

communities and customers to work together with consistency, driving change and measuring impacts of that change including the adoption of the Social Value Portal.

Our @BAM networks represent and amplify the voices of minorities and allies, who share their experiences and ideas to improve policies and procedures. Any colleague can join any network and their regular meetings and events, joining executive sponsors who take feedback and learning into the boardroom when making decisions. Our four networks cover gender parity (WISE@BAM), LGBTQ+ (PROUD@BAM), minority ethnicity (ME@BAM), and disability/neurodiversity (ABILITY@BAM).



@BAM people networks organised a series of live webinars together, with over 400 employees joining in, to highlight and celebrate National Inclusion Week. They introduced a popular panel discussion 'Ask Anything Anonymously' session, aimed at breaking down barriers and removing the fear of 'getting it wrong!' We saw high levels of engagement and sharing of new ideas. The @BAM networks provided new opportunities for colleagues to feel connected during a particularly challenging time.

The ISG review decisions including strategy, policies and changes through the 'lens' of EDI. Successes in 2020 include:

- Reviewing business software and IT processes, implementing improvements to the ASK IT process to make it deaf friendly
- Review of inclusive and accessible Flexible Working Policy
- Improving the Code of Conduct to eliminate potential barriers



Strategic report

- Delivering EDI educational Toolbox Talks using the 'WISE 10 Steps Plan' to develop locally owned business goals and activities.

Diversity & inclusion



4 @BAM people networks launched, along with an Inclusion Steering Group

Diversity & inclusion



1 New Centre of Expertise formed for Social Impact, Inclusion and STEM

Enhancing lives

We continue to strive to create more inclusive and progressive workplaces, where people from all backgrounds can achieve their ambitions. BAM Nuttall collaborates with organisations that also rely on people with STEM skills and talents, and to address the challenges we share knowledge and successful solutions. We're building diverse talent pipelines right the way from primary school level, inspiring people from all walks of life to join our industry.

Enhancing Lives

24,202 lives enhanced during 2020 and charity contribution **doubled to over £52k**



Our STEM approach at BAM Nuttall is to connect with partners regionally, sharing good quality careers guidance, and creating work experience opportunities for local job seekers. We want different people, and more of them, to believe future roles in our sector are exciting and sustainable opportunities for them.

Virtual STEM and work experience continued achieving connections with 10,000 marginalised young people accessing vital STEM outreach opportunities e.g. Leeds Apprenticeship Festival.

We have strengthened our opportunities for early careers talent, bringing together apprentices across BAM Nuttall and BAM Construct for the first time as a combined college cohort after listening to the businesses' needs. Around 40 BAM Nuttall and 12 BAM Construct apprentices attend Leeds College of Building each year, joining over 300 employed nationally by BAM. This merger enhanced inclusivity and collaboration across our organisations.

Enhancing lives

Rate My Apprenticeship – BAM Nuttall was 1st in our industry and 2nd in the UK



By piloting innovative approaches for apprenticeship recruitment, we attracted and engaged greater numbers of female applicants than in previous years. This resulted in achieving record hires for our September intake, of one woman for every two men. An uplift on the previous year of more than 10%. Opportunities are also available for trainees employed while studying on day release, year-long industrial placements and students sponsored through full time courses at university.

The Company recovers a significant percentage of the apprenticeship levy paid to invest in providing various apprenticeships including engineering, quantity surveying, procurement and data analytics.

We, along with BAM Construct, invested in the Construction Pioneers research project, with Timewise, Build UK and others, to identify barriers to flexible working, and using recommendations to develop our new Flexible Working approach and implementation.

Several projects, including Silvertown Tunnel, TransPennine Route Upgrade West and EKFB HS2 are either working towards, or have achieved, Level 2 or higher 'Disability Confident Employer' status.

We enhanced the lives of 24,202 people during 2020. This is less than the 42,000 in 2019 due to COVID-19 restrictions. The Company continued its support of the MIND, Macmillan, Shelter and Mencap charities with contributions doubling on the previous year, boosted by employee efforts.



Thames Tideway Tunnel

Cleaning up London's river to enhance lives

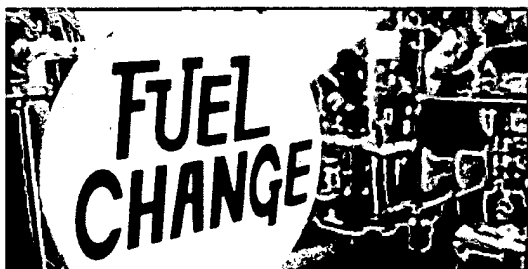
The biggest infrastructure project in the UK to be undertaken by the water industry and due to be finished by 2024, BAM is upgrading London's 150-year old sewer system to meet the needs of the capital's growing population.

In 2020, after a 7km journey from Fulham to Acton, giant tunnel boring machine (TBM) Rachel* finished the western section of the main tunnel, breaking into the shaft at Tideway's site in Acton.

The project is being delivered in collaboration by BAM Nuttall, Morgan Sindall and Balfour Beatty.

*TBM Rachel was named after Rachel Parsons, founding president of the Women's Engineering Society and a former resident of west London.

Strategic report



Fuel Change Challenge

BAM is helping to power the new challenge, focused on shifting the Scottish economy to net zero

Fuel Change is an opportunity for apprentices from a range of sectors and industries across the country to develop innovative, but practical, solutions to real carbon challenges.

BAM is one of five companies supporting the initiative. The aim is to help Scotland towards a low carbon economy by creating real, practical solutions which can be implemented to make a difference to climate change.

The national showcase of 2020 concepts developed is set for spring 2021.

Working better for safety, health and wellbeing

We focus on four areas for safety, occupational health, mental and physical wellbeing. We strive to give each approach its own profile and importance, while connecting the correlation of these themes through raising awareness, educating and inspiring people, accelerating change and improvements.

Our continuing goal is to have completely safe operations so that Company employees, everyone who works with the Company, and all stakeholders suffer no injury or ill health through our activities.

In June 2018 we launched a new safety campaign, Your Safety is My Safety (YSIMS) with all operating companies in BAM. The YSIMS campaigns emphasise individual and

collective responsibility for safety for all employees. Our values of Predictable Performance, Proactive Ownership, Open Collaboration and Scalable Learning, are applied to our approach to safety.

In 2020 the main causes of safety incidents involving lost time, related to access and manual handling. Our accident rate is low, and we continue to pursue further improvement. For 2021 our key objectives are focused on continuing the reduction of exposure to silica dust, review of the site induction process, review of incident outcome management and report on the lessons from delivering training via Microsoft Teams during the COVID-19 restrictions. We continue to maintain a policy prohibiting the use of forward tipping dumpers and are taking further steps on our journey towards zero risk for hand arm vibration.

Senior managers across the Company conduct regular safety tours on our construction sites to demonstrate visible leadership on all matters of health and safety. While limited by COVID-19 restrictions during 2020, 662 remote site safety tours using digital technology took place. As part of our commitment to being a responsible contractor, all our sites register with the considerate construction scheme. In 2020 our average Considerate Constructors score was 40 against an industry average of 38.

Health, safety and wellbeing



Site safety tours continued
throughout COVID-19 restrictions
- **662 took place**, supported by
digital technologies

Our safety performance depends on collaboration and engagement with our supply chain. Our sector delivery teams and procurement department stage knowledge sharing conferences, both on and off site, with their supply chain partners, albeit limited by COVID-19 restrictions during 2020. As well as recognising good safety performance among the supply chain through awards. The Company safety management system is accredited to meet ISO 45001.



Strategic report

Best practice and lessons learnt from incidents are shared across all offices, project sites and teams using our intranet and management bulletins. We regularly update our procedures and guidance and share quarterly 'Safe Start' seasonal Toolbox Talks across sites. These updates are highlighted in our 'Monthly Team Briefings' and reinforced in regular team meetings.

As well as extensive training and monitoring of safety policies, processes and procedures, we promote wellbeing throughout the Company and with our supply chain. Activities such as webinars, with experts from Bupa, site Toolbox Talks, onsite nurses, health checks and advice offered, which extend to families of employees and suppliers. Over 1,900 employees were monitored by the occupational health team in 2020.

Health, safety and wellbeing

**Winner of Investors in People
'Health and Wellbeing Award' and
Silver in the Mind Workplace
Wellbeing Index**



We have publicly stated our commitment to improving the mental health of our people, and breaking taboos, by signing the 'Time to Talk' pledge. We received the Silver Award in the national Mind Workplace Wellbeing Index and Investors in People Health and Wellbeing Award, in addition to industry awards for our mental health and wellbeing work.

INVESTORS IN PEOPLE™
We invest in people Gold

We see a continuing increase in the uptake of the volunteering day and two wellbeing days. These are available to everyone who works for the company, with many people sharing stories from their days on our intranet and Yammer. We continue to promote and provide these benefits in 2021.

We have an ongoing programme of activities to raise awareness and sources of support for mental health issues - all to help employees manage and openly speak about their mental health. We have continued our

mental health awareness training and our investment in mental health first aiders, with 41 people completing this in 2020, to bring the total of health and wellbeing champions, supporting their colleagues, to 180. We captured and shared COVID-19 specific case studies, including how we created virtual offices to combat loneliness.

Health, safety and wellbeing

**180 Health and
Wellbeing Champions**
supporting their colleagues



We are seeing increasing evidence that people feel safe talking about mental health issues. 158 people accessed our Employee Assistance Programme in 2020 which is available to all our people, their families and our suppliers' employees. The Company also has onsite counselling support, which is increasingly being used.

These ambitions and initiatives align with our client's strategic goals. In 2020 we collaborated with numerous partners, including providing sponsorship and support for Network Rail's 'Rail Wellbeing Live' events promoted across industry, and collateral for CECA's industry campaign 'Stop. Make A Change' safety and wellbeing conversation starters.

Employee involvement

The Board is committed to directly engaging with employees. An annual series of roadshows were attended in person by around 550 employees and, following the introduction of COVID-19 restrictions, many more watched the roadshow online. In 2020 we launched a new global intranet, BAM Connect, and rolled out Microsoft Office 365 business and collaboration tools, just as the pandemic arrived on UK shores.

Board members and experts communicate via webinars, vlogs and posts on the intranet, BAM Connect, and Yammer, allowing employees the opportunity to post questions directly and receive answers.

We encourage employees to take ownership of and develop their personal and professional skills so they



Strategic report

can progress their careers at BAM and enhance their lives. The Company regularly reviews levels of pay and employee benefits to offer competitive salaries and an attractive range of additional benefits?

Every employee has opportunities to set yearly development goals, based on the 70:30:10 principles of learning. As face to face learning in the classroom and events have been restricted, managers have adjusted learning styles to meet the needs of remote colleagues. We provide e-learning to explain our compliance policies and procedures and reinforce BAM's Values and Code of Conduct.

We opened access to an interactive learning platform, Goodhabitz, providing personal and professional development courses for individuals and their families. From cyber security advice, managing family matters, to project updates internal and external experts ran sessions to support colleagues, whatever challenges they faced.

In 2016 employees and managers across the Company developed a mentoring programme to encourage people to seek support as part of their personal and career development. In 2018 this programme introduced reverse mentoring for senior managers to informally engage with colleagues in different parts of the organisation, particularly those in minority groups including female, young and minority ethnic colleagues, to understand better how to attract and retain people.

In 2020 we increased the promotion of our Mentoring@BAM scheme, using QR codes on site posters to broadcast videos of colleagues sharing the benefits of having a mentor or mentee, and encouraging peers to join the scheme. This resulted in a jump in numbers to over 300 pairings.

Employee involvement

327 mentoring
relationships formed in 2020



The Company makes use of the Insights Discovery tool to help employees understand their preferred working

style and to recognise and understand the preferred working styles of their colleagues. This has helped the business create high performing collaborative teams, able to meet the demands of any particular project. The Company has people qualified as practitioners who are able to deliver Insights workshops and feedback sessions and these workshops have in many cases been extended to joint venture and client teams.

Having a core of experienced and motivated people who are readily able to express themselves, share their knowledge and experiences, creates an advantage in an environment that demands such significant change. These opportunities to support and inspire others, help retain talent in our business, as they can see and feel multiple layers of our purpose in action, enhancing people's lives by creating sustainable environments.

Research and development

The Company continued investment in research and development during 2020, progressing initiatives in digital construction, materials technology and machine learning to improve productivity and reduce risk in our project delivery.

We ran regular innovation events during the year to engage our supply chain partners and customers in the ethos of innovation. Our BAMDigiCon20 event had over 50 presentations and attracted over 900 online attendees.



Customer interest in this area is developing quickly. For example, the use of machine control for earthworks operations and 5G connectivity for a wind farm construction project in Shetland that will use cameras, drones, mixed reality and Internet of Things sensors to remotely monitor the construction process and track assets.



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We engaged with UK Research & Innovation (UKRI), with the Innovate UK-funded project on detectable cementitious grouting that ended in December 2020. The Company continued to participate in calls for funding, including a joint application with partners lotic Labs and Cranfield University to develop our 'Learning Camera' project and One Source of Truth visual record keeping. The Learning Camera is a flexible, scalable machine learning technology to automate repetitive tasks, reducing the time our people spend in hazardous environments, reducing recurring costs and increasing resilience for extreme conditions and the One Source of Truth can monitor our sites and "read" who and what is on site at any one given point in time - providing an irrefutable digital record of events.

Digital construction and information management are now routine on our projects, supported by a central team of specialist advisors and a group-wide network of practitioners. Visualisation technology is being used to communicate construction planning, improving operational understanding and further reducing construction errors. Building on the success of using digital design and planning for the Rothera Wharf replacement project for British Antarctic Survey, digital modelling and virtual reality simulation is being used by our teams to practice and perfect construction activities in advance of travelling to Antarctica for the new 'Discovery Building' works at Rothera.

Research and development

We are a key partner in the **UK SMR (Small Modular Reactors) Programme**, focused on delivering low-cost, low-carbon power to sustain future economic growth in the UK

Sustainability

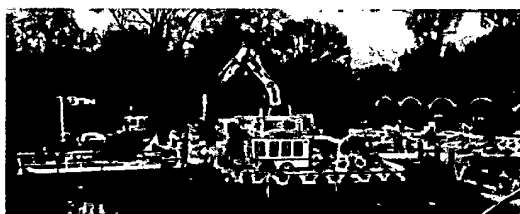
The Company aims to have a net positive impact on climate change, material resources and society by 2050. We are supporting clients to achieve more ambitious targets, including net zero by 2030 for specific projects. We pursue a sustainability strategy in line with other operating companies in the Royal BAM Group with

three long term aspirations: to become climate positive, resource positive and people positive, i.e. make a real and positive difference to the lives of people we encounter through our day to day activities.

BAM Nuttall's performance in 2020 has contributed to Royal BAM Group maintaining its 'A' listing on the CDP leadership index – a key part of the Group's sustainability strategy.



Our 3D concrete printing event in January 2020 demonstrated to our clients how printing concrete uses fewer materials, reduces waste and lowers CO₂ emissions, creating resilient, sustainable structures.



Environment Agency Collaborative Delivery Framework

Protecting homes and communities by reducing flood risk and managing river levels

In advance of the late 2020 storms, BAM attended the Black Potts Weir structure, the final weir on the Jubilee River. Initially, the team installed a temporary solution enabling the weir to run at capacity, safeguarding the bridge whilst maintaining flood protection of the River Thames. The project has now developed into a more substantial permanent repair of the weir, with a design life of 100 years.





Rothera Wharf, Antarctica

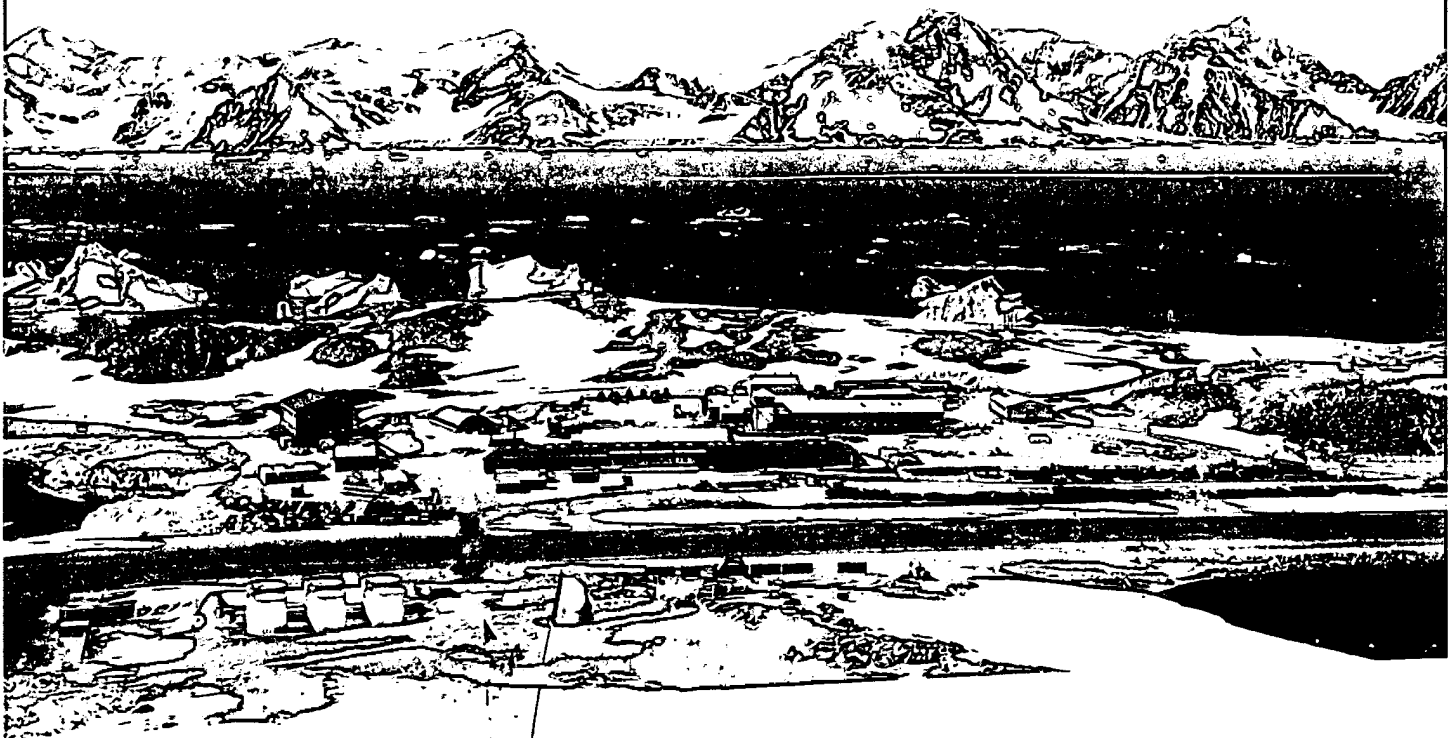
Low carbon and renewable energy designs

In April 2020, BAM finished constructing a new 74-metre wharf at Rothera, the largest British Antarctic Survey (BAS) research station. The new wharf, which replaces a smaller structure built in the 1980s, is part of the modernisation programme at Rothera to improve efficiency and accommodate a larger polar research vessel, the RRS Sir David Attenborough.

The success of the new wharf symbolises an effective collaboration between science and industry. Collaboration with BAS technical advisors, Ramboll, and design input from BAM's Delta Marine Consultants (DMC) and Sweco, was key to the delivery, given the challenging climate. On site team integration and suitable wellbeing support were essential ingredients for working life, particularly for those who were new to working in the Antarctic.

One of our main aims, underpinned by a sustainability strategy, was to minimise the use of fossil fuels through low-carbon and renewable energy designs. The team reused materials, including steel from the old wharf and existing rock fill, helping to decrease the amount of embedded carbon.

"We're immensely proud of the multi-skilled and multi-partnered team that have successfully completed this civil engineering challenge to schedule and to budget, in one of the world's most remote construction locations. The new wharf will enable Rothera Research Station to remain at the forefront of marine and climate research for generations to come."



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Streamlined Energy & Carbon (SECR) Reporting

Background

Since 2008 BAM Nuttall has reported its direct carbon emissions footprint in order to meet customer, legislative and parent company requirements, and we have mature energy and carbon measurement systems that have continually improved over time. We continue to focus on reducing our use of liquid fuel which is responsible for two-thirds of our direct Scope 1 carbon emissions in a typical year. Earthworks are a significant driver of these emissions due to their use of very large and numerous earthmoving plant exclusively powered by gas oil.

2020 summary

Our direct carbon emissions from purchased fuels, energy and business travel in company cars was 25.01kt resulting in an intensity of 29.02tCO₂e per £M turnover – a reduction of 33% on 2019. Our carbon emissions inventory showing 2019 and 2020 data can be seen in figure 1.

Our emissions were heavily influenced by the significant earthworks activity at our Hinkley Point C project, though its activities have slowed in 2020 which has

contributed to the 33% (8kt CO₂e) reduction. There has also been a marked reduction in business travel resulting from COVID-19 restrictions and this accounts for approximately 2kt CO₂e of the overall reduction. The use of low carbon technologies is at the heart of BAM's strategy to be a net positive business, and we continue to engage with our supply chain to enable the delivery of this strategy and promote innovation to accelerate the transition to a lower carbon economy.

SECR Reporting

We're trialling alternative **plant-based fuel and other low carbon construction materials**, such as cement-free concrete, to reduce carbon emissions across our project portfolio

Emission reduction targets

In 2019 the Group formally ratified its Science Based Target (SBT), a global initiative operated by the CDP and IPCC which seeks to harmonise organisations emissions reduction strategies with global climate science. As part of this target, Group has committed to reduce its

2020 inventory					2019 inventory		
Resource	Consumption	Unit of measure	tCO ₂ e	% Share tCO ₂ e	Consumption	tCO ₂ e	% Share tCO ₂ e
Air travel	2,080,585	Mile	642	2.57%	4,198,262	1,435	4.33%
Diesel	1,302,316	Litres	3,316	13.26%	1,428,304	3,705	11.18%
Electricity	8,104,034	kWh	2,194	8.77%	7,778,725	2,100	6.34%
Gas	584,551	kWh	107	0.43%	801,454	147	0.44%
Gas Oil	6,052,571	Litres	16,658	66.60%	8,110,078	22,366	67.49%
Heating Oil	11,500	Litres	29	0.12%	37,266	95	0.29%
Petrol	49,752	Litres	108	0.43%	37,044	82	0.25%
Rail Travel	1,020,478	Mile	61	0.24%	3,997,568	264	0.80%
Road Travel	8,419,628	Mile	1,897	7.59%	12,973,609	2,947	8.89%
Total			25,012			33,141	

Figure 1: BAM Nuttall absolute emissions inventory 2019 vs 2020

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emissions intensity by 2030 for Scope 1 and 2 emissions by 50% against a 2015 baseline. Figure 2 shows the focus areas needed to achieve this target.

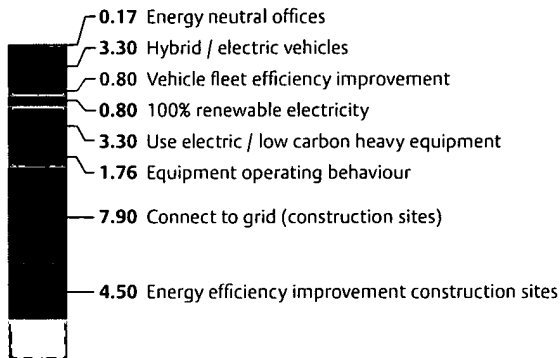


Figure 2 – SBT emissions reduction pathway (values in kt)

Emissions accounting methodology

Our emissions measurement is undertaken by consolidating supplier reports, project data submissions and smart metering into a central database from which the business can report to any interested party. Preference is given to obtaining measured data from digitised systems to help avoid duplication and human error. We report the directly procured fuel, energy and transport only, therefore sub-contract emissions data is excluded. We are however undertaking studies

into our indirect emissions under Scope 3 to which sub-contracted energy would be included as well as emissions embodied in the construction materials we use.

Analysis

Year to year comparisons tend to be volatile depending on our order book but analysis of the underlying trends in the normalised direct emissions intensity shows a continued intensity reduction in the majority of our activities. Figure 3 illustrates the emissions intensity trends split between 'heavy civils' (defined as projects with 500,000 tonnes or more of earthworks activities) and all other 'general civils'.

From this we can assume the emissions intensity of significant earthworks projects is approximately four times that of non-earthworks projects and they are therefore an obvious focus for emissions reduction solutions. The key challenge is the lack of alternative powered plant at the size and scale required to undertake such projects. We continue to work closely with plant manufacturers to stimulate innovation in large construction plant. In 2021 we are beginning to introduce the HVO (Hydrotreated Vegetable Oil) biofuel into the business which has a 90% carbon reduction and is a direct replacement for gas oil.

5 year average CO2e comparison between 'Heavy' and 'General' civils

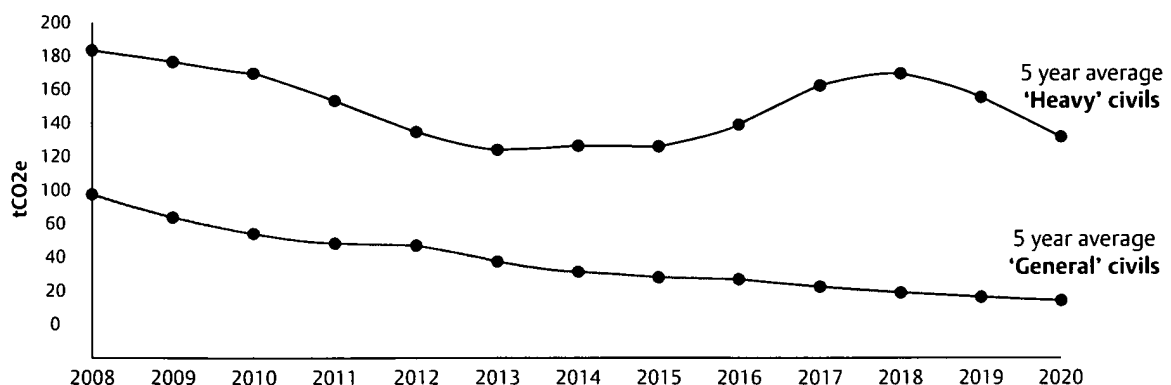


Figure 3 – long term emissions intensity trend split for 'heavy' and 'general' projects 2008 - 2020



Strategic report

Corporate Governance Statement

The Royal BAM Group

BAM Nuttall Limited ("BAM Nuttall") is a member of the BAM group of companies which is headed by Royal BAM Group N.V. ("Royal BAM"), a Dutch listed company that is subject to the Dutch Corporate Governance Code (the "Dutch Code");

A copy of the Dutch Code which has been translated into English can be found <https://www.mccg.nl/?page=4738>

Notable features of the Dutch Code are its focus on long term value creation; provisions on enhanced risk management; rules for effective management and supervision; the introduction of culture and conduct as part of corporate governance; simple rules for remuneration; and rules regarding the relationship with shareholders.

The Dutch Code is a well-established and robust code which is applied by all listed companies in the Netherlands. The purpose of the Dutch Code is to facilitate – with or in relation to other laws and regulations – a sound and transparent system of checks and balances.

Royal BAM applies the Dutch Code throughout the Royal BAM group, through a detailed set of standards, policies and procedures that comply with, and seek to apply, the relevant provisions of the Dutch Code. These group standards, policies and procedures apply to BAM Nuttall.

Pursuant to the Dutch Code, Royal BAM Group has issued an extensive, detailed corporate governance statement which describes the governance of the group, including its subsidiaries (such as BAM Nuttall). A copy of the statement is available on Royal BAM Group's website.

The Group corporate governance statement comprises a line-by-line overview indicating and describing the extent to which the group complies with the Dutch Code and the circumstances where the Group departs from compliance, in the latter case together with an explanation for such departure. This includes BAM Nuttall.

Corporate Governance within BAM Nuttall

BAM Nuttall has therefore, for the purpose of Companies (Miscellaneous Reporting) Regulations 2018, formally adopted the Dutch Code.

In the opinion of the directors of BAM Nuttall, given that BAM Nuttall is a member of the Royal BAM Group and is subject to, and complies with, the standards, policies and procedures of the Royal BAM group, the adoption of the Dutch Code is in the best interests of BAM Nuttall, its shareholder and wider stakeholders. The directors believe they have complied with the Dutch Corporate Governance code to the extent that the Directors consider it relevant to the operating subsidiary of a listed Dutch group, noting departures from the Code below.

Application of the Dutch Code by BAM Nuttall

By virtue of the fact that Royal BAM applies the Dutch Code throughout the group, its corporate governance statement also describes, generally, the corporate governance processes and procedures at BAM Nuttall, taking into account its position as a subsidiary of the Group.

Certain parts of the Dutch Code apply to the group as a whole, including BAM Nuttall. These principles and provisions state that certain structures, policies and procedures must be in place to meet the Dutch Code's requirements, for instance relating to the Dutch Code's concept of long-term value creation and culture, and to more operational matters such as risk management, compliance and whistle-blower procedures. Royal BAM Group has issued standards, policies and procedures including a code of conduct and statement of business principles (copies of which are available on the Royal BAM Group website) to ensure that all group companies throughout the group adhere to these elements of the Dutch Code. The board of BAM Nuttall operates within these group-wide standards, policies and procedures and is responsible for their application within BAM Nuttall.

In addition to following the group standards, policies and procedures of Royal BAM Group as described above, BAM Nuttall specifically applies the following elements of the Dutch Code as set out below:



Long term value creation strategy

- 1.1.1. We have a business strategy. It is based on past performance and future market expectation and is monitored annually through an Operating Plan which itself is monitored quarterly by measuring financial, health and safety and environmental and Social Governance KPI's

Risk management

- 1.2 Objectives are set as part of the business plan. The risks and opportunities associated with those objectives are monitored via a risk review process which includes monitoring of the business plan monthly and quarterly and the use of a risk register.
- 1.2.1 The risk appetite that underpins the strategy and activities of the company includes Stage Gate processes and lessons learnt.
- 1.2.2 Internal management and control systems are a function of the business process model referred to in a management manual.
- 1.2.3 There are various departments with oversight that monitor the operation of internal risk management covering all aspects of the business and report back on strengths and weaknesses in systems and, where necessary, improvements are implemented.

Risk management accountability

- 1.4 There are internal reviews, feedback and improvements on risk management supported by external bodies for quality, finance, insurance and environment.
- 1.4.2 & 1.4.3 All the above (in 1.4) are reported monthly and quarterly relative to the operating plan and business plan

Effective management and supervision: Composition and size

- 2.1 The size, composition and available capabilities of the Board are evaluated annually in order to assure they are able to carry out their duties properly. This has oversight of Group.
- 2.1.4 Board members have specific professional and educational qualifications and maintain their knowledge on an ongoing basis.

Decision making and functioning

- 2.4 The requirements of the Code are met by compliance with s172 of the Companies Act 2006.
- 2.4.1 Openness and accountability are stimulated across the company through various meetings at which Board members are present.
- 2.4.6 The size, composition and available capabilities of the Board are evaluated annually in order to assure they are able to carry out their duties properly. This has oversight of Group.
- 2.4.7 The Company has monthly and quarterly reporting from operational sectors and support Departments including quarterly team meetings.

Culture

- 2.5 S172 obligations are evidenced through the business plan and the annual operating plan
- 2.5.1 The adoption of values and incorporation and maintenance of those values is aligned with the Group strategy
- 2.5.2 Local policy and procedure are introduced to support the Group Code of Conduct
- 2.6 & 2.6.1 We operate the Speak Up procedure established by Group which is published on the Group's company homepage and on BAM Nuttall's intranet
- 2.7.1 Conflicts are managed through the Articles of Association and Code of Conduct as applicable.
- 2.7.6 By compliance with the Code of Conduct, Board members are able to demonstrate that they can act fairly as between employees of the Company

One tier governance structure

- 5.1 The company acts with a one tier governance structure without the use of non-executive directors.
- 5.1.1 In the absence of non-executive directors a BAM Group director, who is governed by the Dutch Code, chairs monthly and quarterly meetings.



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Departures from the Governance Code

The Dutch Code contains principles and provisions that are concerned with a listed parent company only; they relate for instance to the parent company's external auditor and investor relations. BAM Nuttall is a wholly owned subsidiary of Royal BAM Group with no external shareholders and as such there are elements of the Dutch Code that are not applicable: specifically the departures are for the following reasons:

- The principles and provisions may not be applicable to the UK
- Section 2.5.3 is not applicable in the UK (requirement for a Works Council)
- The Company is not overseen by an audit committee or a Supervisory Board
- The Company doesn't have an executive committee
- The Company's directors don't have a maximum period of appointment
- The Company doesn't have an appointment committee
- The Company's Board members have other Board positions
- The Company does have an external auditor but not an audit committee
- Royal BAM Group is the sole shareholder.
- Code of Conduct matters are addressed with the Royal BAM Group GRC Director
- The Company does not have any shares available to be bought and sold on the open market
- Royal BAM Group decide the remuneration policy
- The Company does not have an AGM
- The Company's chief executive chairs meetings
- The Company does not have committees as referred to in best practice 2.3.2
- The Company does not have non-executive directors

Section 172 (1) Statement

This Director's Report and the Strategic Report confirm compliance with the obligations set out in section 172(1) of the Companies Act 2006.

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172(1) requires directors to have regard to, amongst other matters, the:

- (a) likely consequences of any decisions in the long-term,
- (b) interests of the company's employees;
- (c) need to foster the company's business relationships with suppliers, customers and others,
- (d) impact of the company's operations on the community and environment,
- (e) desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the matters set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and predictable.

We delegate authority for day-to-day management of the Company to our senior leadership team and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held regularly where the Directors consider the Company's activities and make decisions. As a part of those meetings the Directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions.

The Company's key stakeholders are its workforce, customers, suppliers and the local communities in

Strategic report

which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. The size and spread of both the Company's stakeholders and the Group means that generally our stakeholder engagement takes place at an operational and Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details of the engagement that takes place with the Group's stakeholders so as to encourage the Directors to understand the issues to which they must have regard please see the strategic report on pages 9 to 27.

We set out below an example of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us:

Investment in people is a priority for the Company, offering employees (including contractors) the opportunity to develop and learn, either within their current role or to build networks and improve collaboration. The Directors engage with employees in a number of ways throughout the year including via roadshows, webinars, vlogs and posts on the intranet, BAM Connect, and Yammer. Employee engagement is maintained through a variety of channels including recruitment and on-boarding platforms, company-wide conferences, roadshows, development programmes and local communication events. During COVID-19 Director and employee engagement has been retained through several channels, allowing employees the opportunity to ask questions directly and receive answers.



A P Savory
Chief Executive
27th May 2021

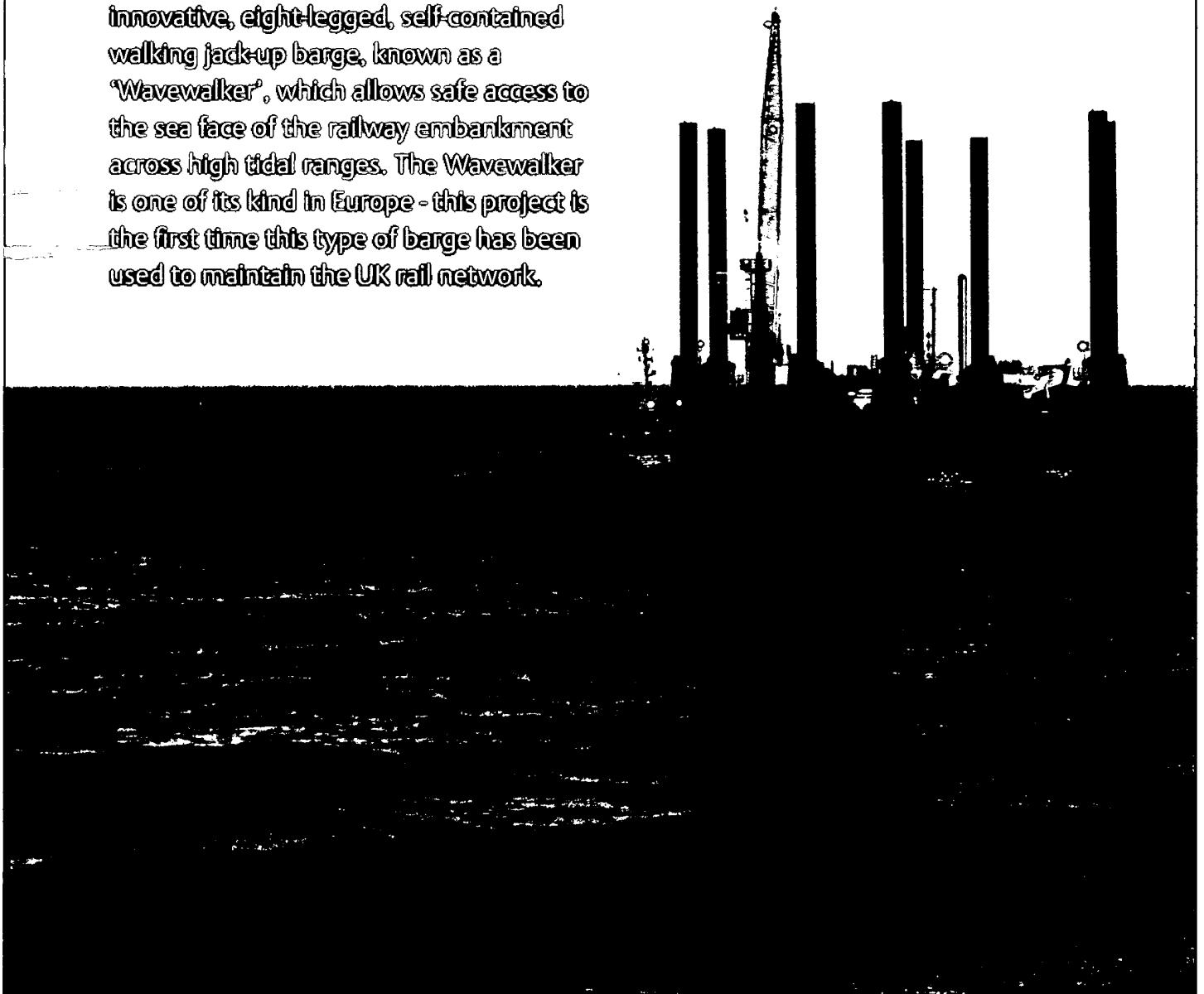


Dawlish Sea Wall

Protecting vital rail artery to the South West for the next 100 years

In 2020, BAM started work for Network Rail on the second section of the new bigger sea wall at Dawlish, Devon, to protect the railway and town from rising sea levels and extreme weather - for generations to come.

A major aspect of this work involves an innovative, eight-legged, self-contained walking jack-up barge, known as a 'Wavewalker', which allows safe access to the sea face of the railway embankment across high tidal ranges. The Wavewalker is one of its kind in Europe - this project is the first time this type of barge has been used to maintain the UK rail network.



Directors' report

The Directors present their report and financial statements for the year ended 31 December 2020.

This Directors' report should be read in conjunction with the Strategic Report which is incorporated by reference (and shall be deemed to form part of) this Directors' report to the extent required by applicable law or regulation.

Principal activity

The principal activity of BAM Nuttall Limited (the 'Company') is that of civil engineering, carried out through operating sectors, together with contracting and other related activities.

Going concern

The financial statements of BAM Nuttall Limited (the Company) have been prepared on a going concern basis as the Directors have concluded that the Company will continue in operational existence and meet its liabilities as they fall due for at least the period of their assessment which is to 30 June 2022.

The Company has net current assets of £109m and net assets of £121.7m. The Company meets its day to day working capital requirements through the cash held at year end of £143.1m, and through access to its other cash pooling balances held with the Royal BAM Group. The Company does not have any bank debt or other external borrowings or facilities. The Company is a guarantor to borrowing facilities that are held by the Company's ultimate parent entity, Royal BAM Group n.v.. Please refer to note 21 for further details.

The Directors have considered the impact of the COVID-19 crisis on the Company's business operations and future prospects. The Company's operations have remained open under UK Government guidelines, and specific measures have been implemented to ensure adequate protection for our people in order to maintain safe operational activity. Since the pandemic was declared by the World Health Organization on 11 March 2020, the productivity of the Company has been in excess of the initial expectations of the Directors. Construction activity was initially paused across all sites

within the Company from 26 to 30 March to enable detailed reviews of the working practices necessary to reduce the risks of COVID-19. However, all sites reopened, and the majority of sites have remained open since. The Company also announced cost saving measures and took advantage of the UK Government Job Retention Scheme. The Directors continue to consider the impact of COVID-19 and the impact on future operating performance of the Company and the uncertainties that this event creates.

The Directors have prepared base case and severe but plausible downside financial forecasts for the review period until 30 June 2022. Taking into consideration the current environment, the forecasts show that the Company is expected to maintain positive cash flows in the base case and in the downside scenario which models reduced productivity and increased costs across the Company.

However, given that the Company is reliant upon cash reserves held by the Royal BAM Group and is a guarantor of borrowings of its ultimate parent company, the Company is reliant upon ongoing support of its ultimate parent. The Directors have received confirmation from the Company's ultimate parent entity that the Company will be provided financial support for the period until 30 June 2022. The Directors have assessed the ability of the ultimate parent company to provide this support, based on financial information for the Royal BAM Group that has been shared with certain members of the Board. The Directors also attend monthly and quarterly management meetings and weekly liquidity reports are provided by Royal BAM Group's treasury function.

In view of the assessment performed, the Directors are satisfied that sufficient financial resources will be generated by the Company or received from its ultimate parent entity, Royal BAM Group n.v., to enable the Company to continue in operation and meet its liabilities as they fall due for at least the period to 30 June 2022. Accordingly, the Directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

Employee involvement

As reported in the Strategic Report (see pages 9-27) the Company engages with employees through a number



Directors' report

of channels and activities to ensure they are aware and consulted about developments in the Company including its financial performance. This is achieved via a staff intranet, discussion forums, surveys and face-to-face communication by the Board through an annual series of virtual Roadshows.

S172 Statement

This Director's Report and the Strategic Report confirm compliance with the obligations set out in section 172(1) of the Companies Act 2006.

Dividends

The Directors declared and paid a dividend of £7,500,000 during the year (2019 - £10,000,000).

Results

The results of the Company are set out on page 20.

Qualifying third party indemnity provisions for directors

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.

Directors

The Directors who served during the year ended 31 December 2020 and up to the date of this report are as follows:

S C Fox CBE	(resigned 1 June 2020)
R M Dunphy	(resigned 1 October 2020)
A P Savory	(appointed 1 June 2020)
I G Phillpot	(appointed 1 October 2020)

None of the Directors have any personal or beneficial interest in the shares of the Group.

Political donations

No political donations were made during the year (2019 - £nil).

Disclosure of information to the auditor

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 steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

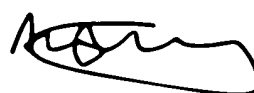
Auditors

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

Future developments

The Director's aim to maintain the management policies which have resulted in the Group's success to date. The Company intends to continue civil engineering activities, principally in the UK, but is also active in selected international opportunities working collaboratively with other BAM operating companies and Joint Venture partners.

As our order book remains strong, we will be applying a conservative approach to 2021 and beyond due to the COVID-19 pandemic. The Directors are also monitoring the changing UK political landscape resulting from the UK's exit from the EU at the end of 2020. Our industry remains in an uncertain position as the future impact of Brexit on issues such as access to labour, services and imports. The Directors have put various measures in place to deal with various scenarios that may arise.



A P Savory
Chief Executive
27th May 2021



Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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), including FRS101 "Reduced Disclosure Framework". 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 Company and of the profit or loss of the Company 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.

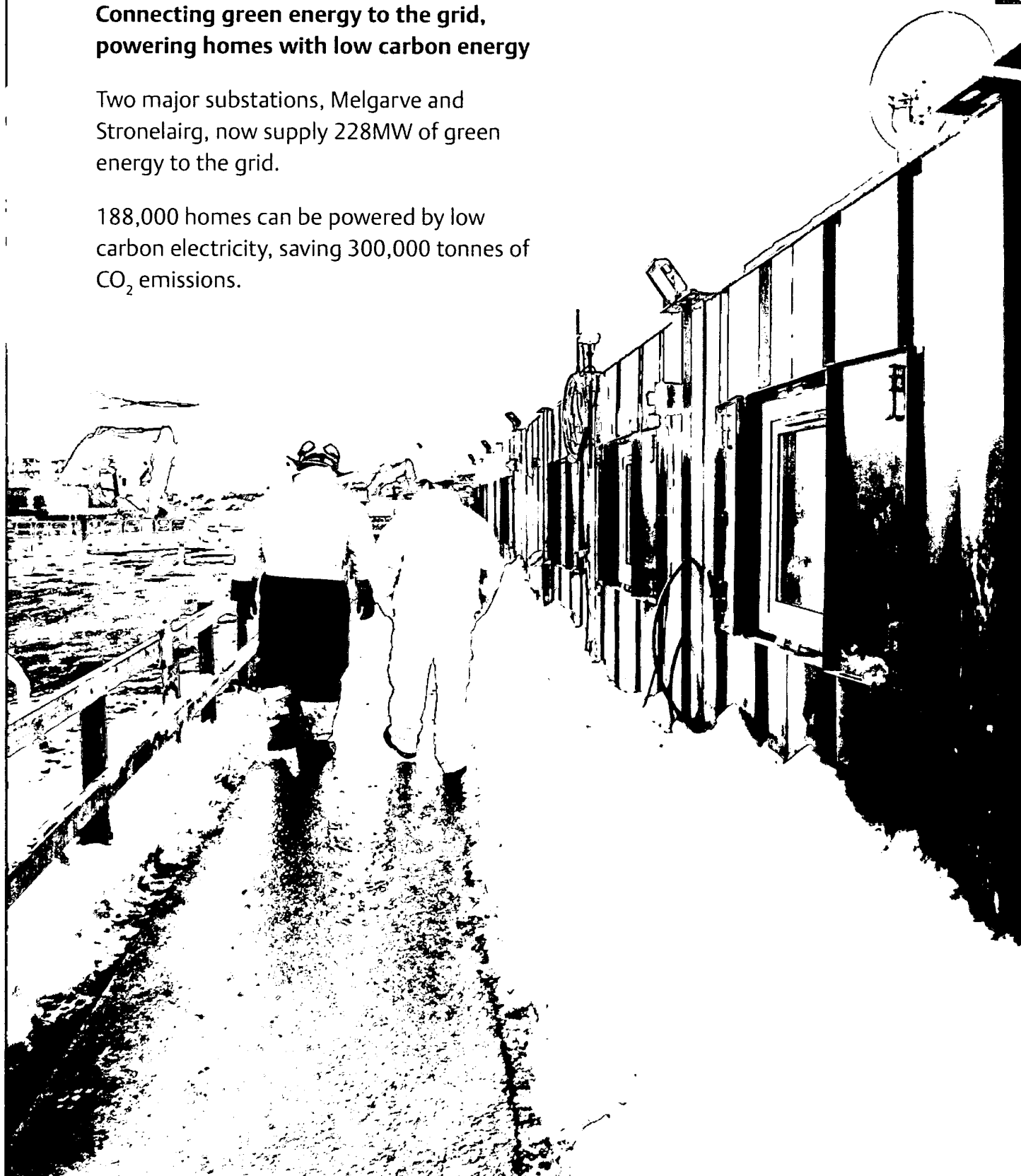


SSE Substation Framework

**Connecting green energy to the grid,
powering homes with low carbon energy**

Two major substations, Melgarve and Stronelairg, now supply 228MW of green energy to the grid.

188,000 homes can be powered by low carbon electricity, saving 300,000 tonnes of CO₂ emissions.



Independent auditor's report

Independent Auditor's Report to the members of BAM Nuttall Limited

Opinion

We have audited the financial statements of BAM Nuttall Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the company's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- We performed our own assessment of the going concern risks at the planning and execution stages of the audit.
- We obtained management's going concern assessment, including the cash forecast for the going concern period to 30 June 2022 (the review period). The company has modelled base case and downside scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the company.
- We have tested the key assumptions included in the base and downside cash forecasts by reference to supporting information and searched for contrary evidence to challenge the assumptions.
- We assessed the impact of Covid-19 on the projections, testing management sensitivities and applying our own.
- We determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- Given the company's reliance on its ultimate parent undertaking, we examined the letters of support from the ultimate parent to determine the adequacy of comfort provided to the Directors of BAM Nuttall Limited and the ability of the ultimate parent to provide the support as required. This included reviewing the going concern assessment performed by the parent company auditors, requesting additional information from those auditors and considering various financing sensitivities.



Independent auditor's report

- We reviewed the company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the review period to 30 June 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Independent auditor's report

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the

company and determined that the most significant are Companies Act 2006, Bribery Act 2010, Construction Act 2009, Minimum Wage regulations and Money Laundering regulations.

- We understood how BAM Nuttall Limited is complying with those frameworks to the extent that is material to the financial statements by making enquires of management and those responsible for legal and compliance procedures, including the Board of Directors. We corroborated our enquires through our review of board minutes, compliance issues reported, and correspondence received from regulatory bodies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various part of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage contract results. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals, reviewing legal advice where relevant and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations that could give rise to material fraud or error in the financial statements. Our procedures involved a review of board minutes to identify noncompliance with laws and regulations, a review of the reporting to the Board of Directors on compliance and regulations by the internal compliance team, enquires of management and journal entry review.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Independent auditor's report



Use of our report

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.

Bob Forsyth (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27th May 2021

Statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Revenue	3	843,923	770,359
Costs and expenses		(838,990)	(756,316)
Operating profit	4	4,933	14,043
Other income	24	4,200	-
Profit on disposal of fixed assets		2,014	154
Finance income	7	949	1,552
Finance expense	7	(474)	(443)
Profit before taxation		11,622	15,306
Income tax charge	8	(3,799)	(3,499)
Profit for the year		7,823	11,807
Other comprehensive income / (expense):			
Actuarial losses on defined benefit pension plans	19	(11,263)	(5,597)
Income tax relating to components of other comprehensive income	8	2,563	951
Other comprehensive income for the year, net of tax		(8,700)	(4,646)
Total comprehensive income for the year		(877)	7,161

All amounts relate to continuing operations



Balance sheet

at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	9	-	3
Tangible assets	10	8,940	8,709
Right of use assets	17	15,838	16,230
Investments	11	1	1
Defined benefit pension plan asset	19	25,243	35,146
Deferred tax asset	8	1,407	1,325
		<u>51,429</u>	<u>61,414</u>
Current assets			
Stocks	12	634	1,025
Debtors due in less than one year	13	221,408	71,136
Debtors due in more than one year		4,250	759
Amounts due from customers under construction contracts (contract assets)	14	59,988	79,285
Cash at bank and in hand		143,120	159,477
		<u>429,400</u>	<u>311,682</u>
Current liabilities: amounts falling due within one year			
Trade and other payables	15	(235,813)	(178,051)
Amounts due to customers under construction contracts (contract liabilities)	16	(84,530)	(41,265)
		<u>(320,343)</u>	<u>(219,316)</u>
Net current assets		<u>109,057</u>	<u>92,366</u>
Total assets less current liabilities		<u>160,486</u>	<u>153,780</u>
Creditors: amounts falling due after one year			
Lease liabilities	17	(10,752)	(9,744)
Deferred tax liability	8	(4,796)	(5,975)
Provisions for liabilities	20	(23,222)	(7,968)
		<u>(38,770)</u>	<u>(23,687)</u>
Net assets		<u>121,716</u>	<u>130,093</u>
Capital and reserves			
Called up share capital	18	27,000	27,000
Profit and loss account		94,716	103,093
Equity shareholders' funds		<u>121,716</u>	<u>130,093</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.



A P Savory, Chief Executive, 27th May 2021



Statement of changes in equity

at 31 December 2020

	Share Capital £000	Retained Earnings £000	Total Equity £000
As at 1 January 2019	27,000	105,932	132,932
Profit for the year	-	11,807	11,807
Other comprehensive income	-	(4,646)	(4,646)
Total comprehensive income for the year	-	7,161	7,161
Equity dividends paid	-	(10,000)	(10,000)
At 31 December 2019	27,000	103,093	130,093
Profit for the year	-	7,823	8,735
Other comprehensive income	-	(8,700)	(8,700)
Total comprehensive income for the year	-	(877)	(877)
Equity dividends paid	-	(7,500)	(7,500)
At 31 December 2020	27,000	94,716	121,716



Notes to the financial statements

at 31 December 2020

1. Authorisation of the financial statements and the statement of compliance with FRS101

The financial statements of BAM Nuttall Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors on 27 May 2021 and the balance sheet was signed on the board's behalf by A P Savory. BAM Nuttall Ltd is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

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

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Royal BAM Group n.v.

The results of BAM Nuttall Limited are included in the consolidated financial statements of Royal BAM Group n.v. which are available from St James House, Knoll Road, Camberley, Surrey, GU15 3XW.

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

2. Significant accounting policies

Basis of preparation

Going concern

The financial statements of BAM Nuttall Limited (the Company) have been prepared on a going concern basis as the Directors have concluded that the Company will continue in operational existence and meet its liabilities as they fall due for at least the period of their assessment which is to 30 June 2022.

The Company has net current assets of £109m and net assets of £121.7m. The Company meets its day

to day working capital requirements through the cash held at year end of £143.1m, and through access to its other cash pooling balances held with the Royal BAM Group. The Company does not have any bank debt or other external borrowings or facilities. The Company is a guarantor to borrowing facilities that are held by the Company's ultimate parent entity, Royal BAM Group n.v.. Please refer to note 21 for further details.

The Directors have considered the impact of the COVID-19 crisis on the Company's business operations and future prospects. The Company's operations have remained open under UK Government guidelines, and specific measures have been implemented to ensure adequate protection for our people in order to maintain safe operational activity. Since the pandemic was declared by the World Health Organization on 11 March 2020, the productivity of the Company has been in excess of the initial expectations of the Directors. Construction activity was initially paused across all sites within the Company from 26 to 30 March to enable detailed reviews of the working practices necessary to reduce the risks of COVID-19. However, all sites reopened, and the majority of sites have remained open since. The Company also announced cost saving measures and took advantage of the UK Government Job Retention Scheme. The Directors continue to consider the impact of COVID 19 and the impact on future operating performance of the Company and the uncertainties that this event creates.

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However, given that the Company is reliant upon cash reserves held by the Royal BAM Group and is a guarantor of borrowings of its ultimate parent company, the Company is reliant upon ongoing support of its ultimate parent. The Directors have received confirmation from the Company's ultimate parent entity that the Company will be provided financial support for the period until 30 June 2022. The Directors have assessed the ability of the ultimate parent company to provide this support,



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

based on financial information for the Royal BAM Group that has been shared with certain members of the Board. The Directors also attend monthly and quarterly management meetings and weekly liquidity reports are provided by Royal BAM Group's treasury function.

In view of the assessment performed, the Directors are satisfied that sufficient financial resources will be generated by the Company or received from its ultimate parent entity, Royal BAM Group n.v., to enable the Company to continue in operation and meet its liabilities as they fall due for at least the period to 30 June 2022. Accordingly, the Directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

Disclosure exemptions

On account of the Company being consolidated by Royal BAM n.v. whose financial statements are prepared in accordance with international financial reporting standards (IFRS), the Company has taken advantage of the following disclosure exemptions under IFRS 101:

- (a) The requirements of paragraphs 45 (b) and 46-52 of IFRS 2 Share-based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- (b) The requirements of paragraphs 62, B64 (d), B64 (e), B64 (g), B64 (h), B64 (j) to B64 (m), B64 (n)(ii), B64 (o)(ii), B64 (p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- (c) The requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- (d) The requirements of IFRS 7 Financial Instruments: Disclosures;
- (e) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (f) The requirement in paragraph 38 of IAS 1 'Presenta-

tion of Financial Statements' to present comparative information in respect of: i) paragraph 79 (a)(iv) of IAS 1; ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment; and iii) paragraph 118 (e) of IAS 38 Intangible Assets;

- (g) The requirements of paragraphs 10 (d), 10 (f), 39 (c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (h) The requirements of IAS 7 Statement of Cash Flows;
- (i) The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (j) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (k) The requirements of paragraphs 134 (d) to 134 (f) and 135 (c) to 135 (e) of IAS 36 Impairment of Assets;
- (l) The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting estimates and errors; and
- (m) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendment to IFRS 3, 'Business combinations – Definition of a business'

The narrow-scope amendments clarify how to determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test. This amendment did not have a material impact on the consolidated financial statements of the Company.



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

Amendments to IFRS 7 and IFRS 9 'Interest Rate Benchmark Reform'

The amendments to IFRS 9 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no material impact on the consolidated financial statements of the Company.

Amendments to IAS 1 and IAS 8 'Definition of Material'

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Company.

b) New standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

Amendments to IFRS 16 'COVID-19 Related Rent Concessions'

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the

COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. Although the Company has received rental concessions in some contracts, this amendment has no impact on the consolidated financial statements of the Company as it has chosen not to apply and does not plan to adopt the practical expedient.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The current accounting policies are not expected to deviate significantly from the amendments to IAS 37 but a further detailed assessment of the impact of the amendments is required.

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

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

Companies are required to apply the amendments for annual periods beginning on or after 1 January 2023, with early application permitted. A further detailed assessment of the impact of the amendments is required.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and the current market and COVID-19 conditions. The basis for these estimates remain unchanged compared to those described in the 2019 financial statements, provided that the estimation uncertainty is inherently increased due to the impact of the COVID-19 pandemic. This has especially effect on the estimates made regarding the valuation of goodwill, deferred tax assets, projects, land and building rights and property development. Actual results may differ from these estimates.

a) Revenue recognition – contract revenue and costs

When the outcome of a contract can be estimated reliably, the contract revenue is highly probable and the contract will be profitable, contract revenue and costs are recognised over the period of the contract, usually by reference to the stage of completion using the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. When it is probable that total contract costs will exceed total contract revenue, the realised loss based on the "percentage-of-completion method" is recognised as an expense immediately, while the future expected loss is included in a provision for onerous contracts. When the outcome of a contract cannot be estimated reliably, for instance in the early stages of a contract, but it is expected that the cost incurred in satisfying the performance obligation under the contract will be recovered, then revenue will be recognised to the extent of the cost incurred, until the outcome of a contract can

be reliably measured.

In determining the stage of completion the company has efficient, coordinated systems for cost estimating, forecasting and revenue and costs reporting. The system also requires a consistent judgement (forecast) of the final outcome of the project, including variance analyses of divergences compared with earlier assessment dates. Estimates are an inherent part of this assessment and actual future outcome may deviate from the estimated outcome, specifically for major and complex contracts. However, historical experience has also shown that estimates are, on the whole, sufficiently reliable. See "Principal accounting policies- Construction contracts" note for further explanation regarding the recognition of revenue for contracts.

b) Claims receivable

In the normal course of business the company recognises contract assets in connection with claims for (partly) satisfied performance obligations due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Claims for satisfied performance obligations are part of the variable considerations under IFRS 15. Project related claims on principals are recognised when it is highly probable that no significant reversal in the cumulative revenue recognised regarding to the claim, will occur. The company considers both the likelihood and the magnitude of a possible revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:-

- The amount of consideration is highly susceptible to factors outside the entity's influence. Those factors may include the judgment or actions of third parties like the court or an arbitration committee or weather conditions;
- The uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- The entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value;
- The entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances;



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

- The contract has a large number and broad range of possible consideration amounts.

Insurance claims can be recognised only if it is virtually certain that the amount recognised will be reimbursed. See "Principal accounting policies- Construction contracts" note for further explanation regarding the recognition of variable consideration.

c) Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 8.

d) Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. An indication of the effect of changes in assumptions, such as the discount rate used and member life expectancy is disclosed in note 19.

Principal accounting policies

Intangible assets

Non-integrated software is stated at cost less accumulated amortisation and impairment losses.

Amortisation on non-integrated software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 3 years. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment. On an annual basis, the Company assesses if there are any indicators of impairment by comparing the net asset values of each subsidiary to their carrying amount. If the net asset value is lower than the carrying amount, the Company assesses if the investment is impaired. If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. An impairment loss is recognised if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

Tangible fixed assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Land is not depreciated. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Plant and machinery	–	over 3 to 10 years
Fixtures, fittings, tools and equipment	–	over 2 to 10 years
Freehold premises	–	over 25 to 50 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

Research and development

All research and development costs are charged to the income statement as incurred.



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade receivables and other debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Trade and other receivables, other than those measured in accordance to IFRS 15, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit loss.

Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Construction contracts

As per 1 January 2018, the Company has implemented IFRS 15 regarding revenue recognition. IFRS 15 follows a 5-step approach to recognise for revenue, which is set out below. Certain specific topics have been included or referred to the applicable note. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The core principle of IFRS 15 is a 5-step model to distinguish each distinct performance obligation within a contract that the Company has with its customer and to recognise revenue on the level of the performance obligations, reflecting the consideration that the Company expects to be entitled for, in exchange for those goods or services.

The following 5 steps are identified within IFRS 15:

- **Step 1 'Identify the contract with the customer':** Agreement between two or more parties that creates enforceable rights & obligations (not necessarily written).
- **Step 2 'Identify the performance obligations':** A promise in a contract with a customer to transfer a good or service to the customer.
- **Step 3 'Determine the transaction price':** The transaction price is the amount of consideration to which an entity expects to be entitled for in exchange for transferring promised goods or services to a customer.
- **Step 4 'Allocate the transaction price':** The objective of allocating the transaction price is for the Company to allocate the transaction price to each performance obligation.
- **Step 5 'Recognise revenue':** the Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer.

Step 1 'Identify the contract with the customer'

IFRS 15.9 requires that five criteria must be met before an entity accounts for a contract with a customer. Once an arrangement has met the criteria, the Company does not assess the criteria again unless there are indicators of significant changes in the facts or circumstances.

The achievement of the preferred bid status is not considered as a contract. As from the achievement of the preferred bid status, costs will be capitalised as an asset if enforceability of right to payment exists. This mainly concerns costs to fulfil the contract.

Multiple contracts are combined and accounted for as a single contract when the economics of the individual contracts cannot be understood without reference to the arrangement as a whole. Indicators that such a combination is required are:

- (a) the contracts are negotiated as a package with a single commercial objective;
- (b) the amount of consideration to be paid in one contract depends on the price or the performance of the other contract;
- (c) the goods or services promised in the contracts (or



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

some goods or services promised in each of the contracts) are a single performance obligation.

A change to an existing contract for a project of the Company is a modification. A contract modification could change the scope of the contract, the price of the contract, or both. A contract modification exists when the Company and the customer approve the modification either in writing, orally, or implied by customary business practices, making the modification enforceable. In accordance with IFRS 15 the Company uses three methods to account for a contract modification:

- (a) as a separate contract when the modification promises distinct goods (according to IFRS 15.27) or services and the price reflects the stand alone selling price;
- (b) as a cumulative catch-up adjustment when the modification does not add distinct goods or services and is part of the same performance obligation. For the Company, as common within the construction sector, modifications mainly relate to variation orders which do not result in additional distinct goods and services and have to be accounted for as cumulative catch-up adjustment. This is the most common method within the Company given the nature of the modifications;
- (c) or as a prospective adjustment when the considerations from the distinct goods or services do not reflect their standalone selling prices.

Step 2 'Identify the performance obligations'

The purpose of this step is to identify all promised goods or services that are included in the contract. Examples of performance obligations are the construction of a highway, railway network the delivery of infrastructure works and so on.

At contract inception, the Company assesses the goods or services promised to a customer, and identifies each promise as either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Promises in a contract can be explicit, or implicit if they create a valid expectation that the Company will provide a good or service based on the Company's customary business practices, published policies or specific statements.

Design and construct contracts in the context of the Company are usually accounted for as one performance obligation because of not meeting criterion IFRS 15.27 (b) The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. These promises usually represent a combined output for the customer (the construction) for which the design is the input. However if the purpose of the contract is to deliver a separate design after which the client is also able to contract another construction company, the design is considered to be separately identifiable. When assets are built at clearly different (unconnected) locations these are generally considered to qualify as separate performance obligations.

Performance obligations with the same characteristics can be bundled into portfolios if the entity reasonably expects that the effects on the financial statements of applying IFRS 15 to the portfolio would not differ materially from applying the standard to all performance obligations individually.

Onerous contracts

IFRS 15 does not include specific guidance about the accounting for project losses. For the accounting of provisions for onerous contracts, IFRS 15 refers to the guidance relating to provisions in IAS 37. Based on IAS 37, a provision for an onerous contract has to be accounted for on the level of the contract as a whole. This is not necessarily the same as if evaluated on project level, because a contract may include more performance obligations.

The provision for onerous construction contracts only relates to the future loss on the performance to be delivered under the contract. In determining a provision for an onerous contract, the inclusion of variable considerations in the expected economic benefits is based on the same principles as included in step 3 hereafter, including the application of the highly probable constraint for the expected revenue.



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

The provision for onerous contracts is presented separately in the balance sheet.

Step 3 'Determine the transaction price'

The purpose of this step is to determine the transaction price of the performance obligations promised in the contract. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price can be a fixed amount, a variable consideration or a combination of both.

If the consideration promised includes a variable amount such as an unpriced variation order, a claim, an incentive or a penalty, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. IFRS 15 provides two methods for estimating variable considerations: the sum of probability-weighted amounts in a range of possible consideration amounts or the most likely amount a range of possible consideration amounts. On the level of each performance obligation has to be decided which approach best predicts the amount of the consideration to which the Company will be entitled.

The Company includes a variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved (called the 'constraint').

The Company is often exposed to uncertainties related to variable considerations such as variation orders and contract claims to customers. The measurement of variation orders and claims requires knowledge and judgement by the Company. Based on IFRS 15, the Company interprets variation orders and contract claims as contract modifications for which the consideration is variable.

For the accounting of unpriced variation orders and claims the following elements are assessed:

(a) determine whether the rights and obligations of the

parties to the contract that are created or changed by the variation order or contract claim are enforceable;

(b) estimate the change to the transaction price for the variation order or contract claim;

(c) apply the guidance relating the constraint of the estimate of variable considerations (meaning that it is highly probable that no significant reversal of revenue will occur);

(d) determine whether the variation order or contract claim should be accounted for on a prospective basis or a cumulative catch-up basis.

For considering the effects of constraining estimates of variable considerations, the Company makes a distinction between claims and variation orders. Variation orders are changes that are clearly instructed by the client creating enforceable rights to payment but for which the price change is not yet determined. Claims however relate to events for which the Company considers to have enforceable rights to a compensation from the client but these are not yet approved by the client. The uncertainty relating to claims is usually higher, because of the absence of an instruction of the client for a change. As a result the risk of a significant reversal of revenue relating to claims is considered to be higher and it might be more difficult to prove that a claim amount meets the IFRS

15 'highly probable' criterion. Please refer to "Judgements and key sources of estimation uncertainty – Revenue Recognition" note for the related criteria.

Other variable considerations might include bonuses and penalties, for which penalties are considered to be negative variable considerations. The same method as described above needs to be applied, including assessing the constraint.

When determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. As a practical expedient the Company does not account for a financing component if the entity expects at contract inception that the period between the delivery of goods or services and the payment is one year or less.

Step 4 'Allocate the transaction price'

The objective when allocating the transaction price is to allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

To meet the allocation objective, the Company allocates the total transaction price agreed in the contract (or combination of contracts) as determined in step 3 to the performance obligations identified in step 2. This allocation is based on the relative stand-alone selling price (SSP) of the individual performance obligations.

To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the Company determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices.

The estimation method of IFRS 15 that best reflects the stand-alone selling price for design-, construction- and maintenance projects is the expected cost plus margin approach. This approach requires to forecast its expected costs of satisfying the performance obligation and then add an appropriate margin for that type of project or service. Costs included in the estimation should be consistent with those costs the Company would usually consider in setting standalone selling prices. Both direct and indirect costs are considered. The Company substantiates for example the average margin on bids for similar projects/services on a stand-alone basis (not in combination with other performance obligations).

Step 5 'Recognise revenue'

The purpose of this step is to determine the amount of revenue to be recognised in a certain period.

The Company recognises revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when

(or as) the customer obtains control of that asset. For each performance obligation identified in the contract, the Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The Company needs to determine, at contract inception, whether control of a good or service transfers to a customer over time or at a point in time. Revenue is recognised over time if any of the following three criteria are met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

In general, the Company is building on the land of the customer or improving an asset of the customer, which results in creating an asset that the customer controls as the asset is created. This leads to recognising revenue over time. The company uses the 'percentage-of completion method' to determine the appropriate amount to recognise in a given period for a performance obligation. The stage of completion is measured by reference to the contract costs of fulfilling the performance obligation incurred up to the end of the reporting period as a percentage of total expected fulfilment costs under the contract, which is an input measure according to IFRS 15.



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

- Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Payment terms might differ from client to client and country to country, however the Company's standard payment term states 60 days. A contract liability is recognised until the points are redeemed or expired.

When applying a method for measuring progress, the Company excludes the measure of progress of any goods or services for which the entity has not transferred control to a customer. Examples of costs which have to be excluded from the progress measurement, include uninstalled materials, capitalised cost and costs of inefficiencies.

Uninstalled materials

If a customer contributes goods or services (for example, materials, equipment or labour) to facilitate the Company's fulfilment of the contract, the Company assesses whether it obtains control of those contributed goods or services. If so, the Company accounts for the contributed goods or services as non-cash consideration received from the customer. This is however rare, since control usually is not transferred to the Company and stays with the customer.

Capitalised cost

The capitalised contract cost include cost to obtain the contract, cost to fulfil the contract and set-up cost. The Company recognises capitalised contract cost from the costs incurred to fulfil a contract (for example set-up or mobilisation costs) only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and;

- the costs are expected to be recovered (project result should be sufficient to cover the capitalised contract costs).

Capitalised contract costs shall be amortized over the lifetime of the contract.

Costs of inefficiencies

The Company does not recognise revenue for costs incurred that are attributable to significant inefficiencies in the Company's performance that were not reflected in the price of the contract since these costs do not contribute to any benefits for the customer. This includes costs of unexpected amounts of wasted materials, labour or other resources that were incurred to satisfy the performance obligation.

Not all cost overruns compared to the project budget relate to inefficiencies. Cost overruns that for example relate to price increases, design changes (regardless whether compensated by the client), inaccuracies in the project budget are not inefficiencies. These expenses still contribute to value to the customer and making progress in the delivery of the project. Inefficiency costs relate to wasted items or work performed, which do not reflect any progress in the satisfaction of the performance obligation nor value to the customer. The costs incurred related to significant inefficiencies are directly charged to the income statement. Consequently, significant inefficiency costs are excluded from the measurement of the stage of completion.

Cash at bank and in hand

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

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

Pension costs

The Company operates three defined contribution schemes, contributions into which are recognised in the income statement in the period in which they become payable.

The Company does not have any active defined benefit pension schemes.

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 the income statement 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 Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds (AA) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. 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 comprehensive income in the period in which they occur.

The defined benefit pension asset in the balance sheet comprises the fair value of plan assets, less 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.

Revenue recognition

The Company defines a construction contract as a contract specifically negotiated for the construction of an asset. On the balance sheet, the company reports the net contract position for each (construction) contract as either a contract asset or a contract liability. A contract asset is recognized when the company has a right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. A contract receivable is an amount to be billed for which payment is only a matter of passage of time. A contract liability is recognized when the company has an obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

For further guidelines regarding construction contracts see note 2 revenue recognition.



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

Joint arrangements

Investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations.

A joint arrangement exists where the co-owners have rights to the assets of the arrangement and obligations for the liabilities of the arrangement. An arrangement that is not structured through the formation of a separate company is a joint operation. Contracting projects performed in cooperation with outside contracting companies, with joint and several liability are reported by the company as joint venture. If the arrangement is a separate company, but the majority of the company's production is acquired by the co-owners, then the arrangement is often considered to be a joint operation. If on the other hand, the co-owners of the arrangement only have rights to the net assets of the arrangement, it is a joint venture. Classification of joint arrangement requires consideration of its legal form, the terms agreed by the parties in the contractual arrangement and other circumstances

Joint ventures

Joint ventures are joint arrangements whereby the company and other parties that have joint control of the arrangement have rights to the net assets of the joint venture. The parties to the arrangement have agreed contractually that control is shared and decisions regarding relevant activities require unanimous consent of the parties which have joint control of the joint venture. Investments in joint ventures and associates are initially carried in the balance sheet at cost (including goodwill arising on acquisition) and adjusted by post-acquisition changes in the Group's share of net assets of the joint venture or associate, less any impairment in the value of individual investments. Losses of joint ventures and associates in excess of the Group's interest in those joint ventures and associates are only recognised to the extent that the Group is contractually liable for, or has a constructive obligation to meet, the obligations of the joint ventures and associates. Unrealised gains and losses on transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the relevant joint venture or associate.

Joint operations

The Company proportionately accounts for its share of the income, expenditure assets and liabilities under each relevant heading in the income statement and balance sheet.

Taxation

(a) Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income respectively directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

(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



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Foreign currency translation

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost in the income statement.

Financial instruments

Financial Assets – Classification

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired or issued. In principle, the financial assets are held in a business model whose objective is to collect contractual cash flows over the lifetime of the instrument. The company's financial assets comprise "other financial assets" "(trade), receivables – net," "contract assets," "contract receivables" and "cash and cash equivalents" in the balance sheet.

The company classifies its financial assets in the classes "debt instruments at amortized costs," financial assets at fair value through profit and loss." Debt instruments at amortized costs are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period which are classified as non-current assets. Debt instruments that do not meet Solely Payments of Principal and Interest (SPPI) criterion (for which the test is performed at instrument level) are classified as other financial assets at fair value through profit or loss.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement, which is also applicable for net changes in fair value after initial recognition. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are initially measured at the transaction price determined under IFRS 15 (see revenue recognition policy disclosed above).

Debt instruments, other than those initially measured in accordance with IFRS 15, are subsequently carried at amortised cost using the effective interest method and are subject to impairment. The company measures debt



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

instruments at amortised cost if both of the following conditions are met:-

- The debt instruments is held with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets

If the credit risk on a financial asset, not held at fair value through profit or loss, has not increased significantly since initial recognition, the loss allowance for that financial instrument is the 12-month expected credit losses (ECL). If the credit risk on a financial asset has significantly changed since initial recognition, the loss allowance equals the lifetime expected credit losses. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Indications of increase in credit risk for financial assets are if a debtor or a group of debtors:-

- Experience significant financial difficulty;
- Are in default or delinquency in interest or principal payments;
- Have increased probability of default;

- Other observable data resulting in increased credit risk

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, contract assets and contract receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

Recognised initially at fair value, and in the case of loans and borrowings and payables, net of plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities is as follows:-

De-recognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

IFRS 16, 'Leases'

Right-of-use asset

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing. The estimated useful life of the leased assets are as follows:

Land and buildings	–	1 to 10 years
Plant and machinery	–	1 to 5 years
IT Equipment	–	1 to 5 years
Motor vehicles	–	4 years

The majority of the lease contracts in land and buildings have a useful life up to 5 years.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered of low value (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

For several leases, the Company has renewal/extension options. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of Lease liabilities and Right-of-use asset recognised. See note 17.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, non-lease components related to the leased asset, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do



Notes to the financial statements

at 31 December 2020

2. Significant accounting policies (cont.)

not depend on an index or a rate are recognised as an expense in the profit and loss.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company has applied judgement to determine the lease term, which significantly affects the amount of right-of-use asset and lease liabilities recognised. See note 17 Right-of-use assets and Lease liabilities.

The Company:

- Has not separated non-lease components from lease components and instead each lease component and any associated non-lease components are accounted for as a single lease component. Variable lease payments such as petrol for cars or variable maintenance fees for buildings are excluded from the measurement of the lease liability;
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics. The Company determined incremental borrowing rates that are currency specific and vary with the length of the contract. The Company has used a more high-level method to determine the incremental borrowing rate. The Company has assessed the impact of the incremental borrowing rate determined using this method on the value of the lease liabilities using a sensitivity analysis. Based upon this analysis, the Company concludes that the impact of using this method to determine the incremental borrowing rate has no material impact on the value of the lease liabilities.

Lease modifications

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease - e.g. adding or terminating the right to use one or more underlying assets. Lease modifications are accounted for either as separate leases or not separate leases.

The Company accounts for lease modifications as separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Company shall remeasure the lease liability using a revised discount rate. The adjustment to the lease liability is accounted for against the right of use asset with no profit and loss impact, with the exception of decreases in scope of the lease. In this case, a gain or loss to reflect the partial or full termination is recognised.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as a compensation for expenses or losses already incurred are recognised in the income statement in the period in which they become receivable.



Notes to the financial statements

at 31 December 2020

3. Turnover

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

An analysis of turnover by geographical market is given below:

	2020 £000	2019 £000
Geographical area:		
United Kingdom	813,434	754,060
Europe	1,580	2,299
Outside Europe	28,909	14,000
	843,923	770,359

4. Operating profit

This is stated after charging/(crediting):

	2020 £000	2019 £000
Foreign currency exchange differences	(144)	(139)
Depreciation – owned assets (note 10)	2,346	2,104
Amortisation – non-integrated software (note 9)	3	408
Auditors' remuneration		
- audit of the financial statements (see below)	339	451
- non-audit services	-	-
	2020 £000	2019 £000
Audit of BAM Nuttall Limited financial statements	305	417
Audit of BAM Nuttall Limited subsidiaries financial statements	11	11
Audit of BAM Nuttall Limited Parent entity's financial statements	23	23



Notes to the financial statements

at 31 December 2020

5. Directors' remuneration

	2020 £000	2019 £000
Remuneration as executives	1,115	767
Company contributions to defined contribution scheme	-	-
Total emoluments	1,115	767

In 2020 no directors received employer contributions to a defined contribution scheme. (2019 – none).

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

	2020 £000	2019 £000
Emoluments	511	431

	2020 £000	2019 £000
Amounts receivable under long term incentive plans (see note 22)	-	-
Number of directors who received shares in respect of qualifying services	-	1

The highest paid director in 2019 was granted shares under the ultimate Group undertaking's long term incentive scheme.

6. Staff costs

	2020 £000	2019 £000
Wages and salaries	160,388	158,366
Social security costs	16,885	16,541
Other pension costs	14,600	13,746
	191,873	188,653

There was a total of 668 members of staff who were furloughed in 2020, the numbers per month varied, but the majority returned to work as sites reopened.

Included in other pension costs is a defined contribution cost of £14,600k (2019 - £13,746k).



Notes to the financial statements

at 31 December 2020

The average number of persons employed by the Company during the year, including directors, are as follows:

	2020 No.	2019 No.
Weekly paid staff	834	933
Monthly paid staff	2,161	1,973
	<u>2,995</u>	<u>2,906</u>

7. Net finance income

	2020 £000	2019 £000
Interest receivable from parent undertaking	102	269
Bank interest receivable	101	107
Other finance income	40	60
Finance income pension (Note 19)	706	1,116
	<u>949</u>	<u>1,552</u>
Interest payable to parent undertaking	14	-
Finance lease expense	460	443
	<u>474</u>	<u>443</u>
Net finance income	<u>475</u>	<u>1,109</u>



Notes to the financial statements

at 31 December 2020

8. Tax

(a) Tax charged in the income statement

	2020 £000	2019 £000
Current income tax:		
UK corporation tax	2,904	2,770
Prior year adjustment	977	623
Total current income tax	3,881	3,393
Deferred taxation:		
Origination and reversal of temporary timing differences	(82)	106
Prior year adjustment	-	-
Total deferred tax	(82)	106
Tax expense in the income statement	3,799	3,499

(b) Tax relating to items charged or credited to the other comprehensive income

	2020 £000	2019 £000
Current tax:		
Current tax credit on pension scheme	-	-
Deferred taxation:		
Actuarial gains on defined benefit pension plans	(2,563)	(951)
Tax expense in statement of other comprehensive income	(2,563)	(951)



Notes to the financial statements

at 31 December 2020

8. Tax (cont.)

(c) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2019 – higher than) the rate of corporation tax in the UK of 19% (2019 – 19.00%). The differences are reconciled below:

	2020 £000	2019 £000
Accounting profit before income tax	11,622	15,306
Tax calculated at UK standard rate of corporation tax of 19% (2019 – 19.00%)	2,208	2,908
Expenses not deductible for tax purposes	6	17
Depreciation in excess of capital allowances	67	41
Prior year adjustment	642	623
Rate change	876	(90)
Total tax expense reported in the income statement	3,799	3,499

(d) Deferred tax

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

	2020 £000	2019 £000
Deferred tax liability		
Other temporary differences	-	-
Pension and post-employment benefits	(4,796)	(5,975)
	(4,796)	(5,975)
Deferred tax asset		
Pension and post-employment benefits	-	-
Accelerated capital allowances	1,325	514
Tax credit and loss carried forward	-	-
Other temporary differences	82	811
	1,407	1,325
Disclosed on the balance sheet		
Deferred tax asset	1,407	1,325
Deferred tax liability	(4,796)	(5,975)
	(3,389)	(4,650)



Notes to the financial statements

at 31 December 2020

A deferred tax asset in respect of depreciation in advance of capital allowance relief and losses has been recognised in the balance sheet on the grounds that there will be suitable taxable profits within the company. Based upon all available evidence management believe this will allow for the future reversal of the underlying timing difference.

9. Intangible assets

	Non-Integrated Software £000
Cost:	
At 31 December 2019	2,601
Additions	-
At 31 December 2020	2,601
Amortisation:	
At 31 December 2019	2,598
Charged during the year	3
At 31 December 2020	2,601
Net book value:	
At 31 December 2020	-
At 31 December 2019	3

10. Tangible assets

	Freehold offices £000	Plant and machinery £000	Fixtures, fittings, tools & equipment £000	Total £000
Cost:				
At 31 December 2019	7,011	22,496	14,859	44,366
Additions	-	2,597	544	3,141
Disposals	(702)	(3,154)	-	(3,856)
At 31 December 2020	6,309	21,939	15,403	43,651
Depreciation:				
At 31 December 2019	3,050	20,029	12,578	35,657
Charged during the year	228	1,111	1,007	2,346
Disposals	(212)	(3,080)	-	(3,292)
At 31 December 2020	3,066	18,060	13,585	34,711
Net book value:				
At 31 December 2020	3,243	3,879	1,818	8,940
At 31 December 2019	3,961	2,467	2,281	8,709

Notes to the financial statements

at 31 December 2020

11. Investments – non-current

	2020 £000	2019 £000
Investment in Subsidiaries	-	-
Investments in Joint Ventures	1	1
	<u>1</u>	<u>1</u>

The Company's subsidiary undertakings at 31 December 2020 were:

Name of undertaking	Country of registration	Holding of ordinary shares %	Nature of business
BAM Nuttall Demolition Limited	England	100	Dormant
Allbrook Contract Hire Limited	England	100	Contract hire
Broadland Environmental Services Limited	England	90	Civil Engineering
BAM Rail M & E Limited	England	100	Dormant

The registered address for all these undertakings is St James House, Knoll Road, Camberley, Surrey, GU15 3XW.

The Company has a 50% interest in the following entities, BMM JV Limited and BNS JV Limited, which are both accounted for by the company as a joint operation.

The Company's Joint Venture undertakings at 31 December 2020 were:

Name of undertaking	Country of registration	Holding of ordinary shares %	Nature of business
BAM Offshore Wind B.V.	Netherlands	50	Civil Engineering

BAM Offshore Wind B.V. was incorporated as a limited Company in the Netherlands in 2017 as a joint arrangement between the Company and BAM Infra B.V. (Joint Venturers). Whereby, the Joint Venturers have joint control of the arrangement and rights to the net assets of the arrangement. The Company accounts for the joint arrangement using cost method. The process of liquidating this company commenced in 2020.

12. Stocks

	2020 £000	2019 £000
Raw materials and consumables	<u>634</u>	<u>1,025</u>



Notes to the financial statements

at 31 December 2020

13. Debtors due in less than one year

	2020 £000	2019 £000
Accrued income	3,398	1,600
Trade debtors	71,804	49,364
Amounts owed by parent and fellow group undertakings	130,960	14,251
Income tax receivable	2,716	1,998
Other debtors	12,530	3,923
	<u>221,408</u>	<u>71,136</u>

Amounts owed by parent and fellow group undertakings include £125,523k on deposit with Royal BAM Group (2019: £10,085k) which is settled on demand.

14. Contract assets

At 31 December 2020, the Company had contract assets of £60.0m (2019: £79.3m), which was net of expected credit loss allowance of £nil (2019: £nil). Contract assets consist of work-in-progress.

15. Trade and other payables

	2020 £000	2019 £000
Amounts owed to parent and fellow group undertakings	16,537	23,175
Trade creditors	34,684	9,131
Accruals and deferred income	134,033	105,051
Other taxes and social security costs	29,252	23,264
Lease liabilities	5,455	6,293
Other creditors	15,852	11,137
	<u>235,813</u>	<u>178,051</u>

Amounts owed to parent and fellow group undertakings have no specific terms of settlement and are therefore considered current.

16. Contract liabilities

At 31 December 2020, the Company had contract liabilities of £84.5m (2019: £41.3m). Contract liabilities consist of billing-in-excess. Revenue recognised in the year from amounts that were included in the contract liabilities at the beginning of the year equals £41.3m (2019: £2.4m). Revenue recognised in the year from performance obligations satisfied in previous years equals £nil (2019: £nil).



Notes to the financial statements

at 31 December 2020

17. Leases

Right of use assets

	Land and buildings	Plant and machinery	IT Equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
At 1 January 2020	8,114	4,318	247	3,551	16,230
Additions	3,375	914	-	2,412	6,701
Disposals	-	-	-	(218)	(218)
Depreciation	(3,649)	(1,670)	(122)	(1,807)	(7,248)
Re-measurements	426	(53)	-	-	373
At 31 December 2020	8,266	3,509	125	3,938	15,838

Leases

	Land and buildings	Plant and machinery	IT Equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
At 1 January 2020	8,194	4,080	239	3,524	16,037
Loans granted	3,376	913	-	2,411	6,700
Repayments	(3,647)	(1,237)	(129)	(1,901)	(6,914)
Re-measurements	426	(42)	-	-	384
At 31 December 2020	8,349	3,714	110	4,034	16,207

The undiscounted future lease payments as included in the lease liabilities are as follows:

	2020 £000	2019 £000
Not later than one year	5,571	6,431
Later than one year and not later than five years	10,073	9,187
Later than 5 years	1,640	1,423
	17,284	17,041

Profit and loss related accounts:

	2020 £000	2019 £000
Depreciation expense of right of use assets	7,248	6,098
Interest expense on lease liabilities	401	364
Rent expense – short term leases	27,086	31,801
Rent expense – lease of low-value assets	-	-
Rent expense – variable lease payments	-	-
	34,735	38,263

Notes to the financial statements

at 31 December 2020

18. Share capital

There are no changes to share capital during the year.

	Authorised 2020 & 2019 £000	Allotted called up & fully paid 2020 & 2019 £000
150,000 3.85% redeemable cumulative preference shares of £1 each	150	-
27,000,000 ordinary shares of £1 each	27,000	27,000
	27,150	27,000

19. 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 ceased 31 December 2017 for the calculation of benefits.

The valuation used for FRS 101 disclosures has been based on the most recent triennial actuarial valuation, 31 December 2017, and updated to take account of the requirements of FRS 101 in order to assess the liabilities of the scheme. Scheme assets are stated at their market values at the respective balance sheet dates. The Company recognises a net defined benefit asset because it is entitled to a return of surplus at the end of the plans' lives.

	2020	2019
Main assumptions:		
Rate of salary increases	n/a	n/a
Rate of increase in pensions in payment (LPI)	2.75%	2.80%
Discount rate	1.45%	2.10%
Inflation assumption	2.15%	2.10%
Post-retirement mortality (in years):		
Current pensioners at 65 - male	22.8	22.8
Current pensioners at 65 - female	24.5	24.4
Future pensioners at 65 - male	25.1	25.0
Future pensioners at 65 - female	26.7	26.7

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	+/- 0.5%	- £42.6m /+ £49.2m
Post retirement mortality	+/- 1 year	- £18.4m /+ £18.9m

Notes to the financial statements

at 31 December 2020

19. Pensions (cont.)

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

	2020 £000	2019 £000
Scheme assets at fair value		
Equities	50,786	55,670
Bonds	372,131	327,056
Cash	3,514	1,726
Real Estate	16,593	14,610
Other	7,872	20,282
Fair value of scheme assets	450,896	419,344
Present value of scheme liabilities	(430,492)	(387,972)
Defined benefit pension plan surplus	20,404	31,372

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

	2020 £000	2019 £000
Recognised in the Income Statement		
Administration cost	1,314	504
Past service cost	(1,691)	-
Recognised in arriving at operating profit	(377)	504
Net interest on defined benefit asset	(624)	(998)
Taken to the Statement of Comprehensive Income		
Return on plan assets (excluding amounts included in net interest expense)	42,306	38,225
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	(54,103)	(43,529)
Actuarial changes arising from experience adjustments	(172)	-
Recognised in the Statement of Comprehensive Income	(11,969)	(5,304)



Notes to the financial statements

at 31 December 2020

19. Pensions (cont.)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2020 £000	2019 £000
Defined benefit obligation at end of prior year	387,972	349,820
Past service cost	(1,691)	-
Interest on benefit obligation	7,721	9,923
Benefits paid	(17,785)	(15,300)
Actuarial gains and losses	54,275	43,529
Defined benefit obligation at end of year	<u>430,492</u>	<u>387,972</u>

Changes in the fair value of the plan assets are analysed as follows:

	2020 £000	2019 £000
Fair value of plan assets at end of prior year	419,344	383,002
Current Service Cost	(1,314)	(504)
Interest income in plan assets	8,345	10,921
Contributions by employer	-	3,000
Contributions by employee	-	-
Benefits paid	(17,785)	(15,300)
Actuarial gains and losses	42,306	38,225
Fair value of plan assets at end of year	<u>450,896</u>	<u>419,344</u>

During the year the company did not make any special contributions (2019: £3,000k). No ordinary contributions were made (2019: £nil).

	Contributions in the year		Amounts outstanding	
	2020 £m	2019 £m	2020 £m	2019 £m
Ordinary contribution	-	-	-	-
Special contribution	-	3.0	-	-

The company's best estimate of contributions to be paid in 2021, consisting of a special contribution, is £3,000k.



Notes to the financial statements

at 31 December 2020

19. Pensions (cont.)

(b) Citrus scheme

BAM Nuttall Limited has an obligation to a multi-employer defined benefit scheme, in respect of deferred members only, who were employed 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 preliminary results arising from the formal valuation as at 31 March 2020.

The valuation used for FRS 101 disclosures has been based on the most recent actuarial valuation and updated to take account of the requirements of FRS 101 in order to assess the liabilities of the scheme at 31 December 2020. Scheme assets are stated at their market value at respective balance sheet dates. The Company recognises a net defined benefit asset because it is entitled to a return of surplus at the end of the plans' lives.

	2020	2019
Main assumptions:		
Rate of salary increases	n/a	n/a
Discount rate	1.45%	2.10%
Inflation assumption	2.15%	2.10%
Post-retirement mortality (in years):		
Current pensioners at 65 - male	20.6	21.6
Current pensioners at 65 - female	22.6	
Future pensioners at 65 - male	22.3	23.6
Future pensioners at 65 - female	26.2	

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	- 0.5%	+ £0.9m
Inflation assumption	+ 0.5%	+ £0.7m
Post retirement mortality	+ 1 year	+ £0.4m

Notes to the financial statements

at 31 December 2020

19. Pensions (cont.)

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

	2020 £000	2019 £000
Scheme assets at fair value		
Equities	786	609
Liability Driven Investment Funds	3,777	2,982
Insurance linked securities	723	-
Diversified Growth Funds	1,584	2,173
Multi Asset Credit Funds	2,388	2,087
Cash	6,207	6,407
 Fair value of scheme assets	 15,465	 14,258
 Present value of scheme liabilities	 (10,626)	 (10,484)
 Defined benefit pension plan surplus	 4,839	 3,774

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

	2020 £000	2019 £000
Recognised in the Income Statement		
Administration cost	46	58
 Recognised in arriving at operating profit	 46	 58
 Net interest on defined benefit asset	 (82)	 (118)
 Taken to the Statement of Comprehensive Income		
Return on plan assets (excluding amounts included in net interest expense)	1,044	640
Actuarial changes arising from changes in demographic assumptions	508	-
Actuarial changes arising from changes in financial assumptions	(1,048)	(1,027)
Actuarial changes arising from experience adjustments	202	94
 Recognised in the Statement of Comprehensive Income	 706	 (293)



Notes to the financial statements

at 31 December 2020

19. Pensions (cont.)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2020 £000	2019 £000
Defined benefit obligation at end of prior year	10,484	9,680
Interest on benefit obligation	216	293
Administration costs	46	58
Benefits paid	(458)	(480)
Actuarial gains and losses	540	1,027
Experience (inflation)	(202)	(94)
Defined benefit obligation at end of year	10,626	10,484

Changes in the fair value of the plan assets are analysed as follows:

	2020 £000	2019 £000
Fair value of plan assets at end of prior year	14,258	13,364
Interest income in plan assets	298	411
Contributions by employer	323	323
Contributions by employee	-	-
Benefits paid	(458)	(480)
Actuarial gains and losses	1,044	640
Fair value of plan assets at end of year	15,465	14,258

Regular contributions made by the company during the year amounted to £nil (2019: £nil). In addition, the company made a special contribution of £227,000 (2019: £277,000).

The company expects to make contributions of £277,000 in 2021, of which £277,000 will be special contributions.

(c) Contributory pension schemes

The company has made arrangements for employees to participate in four separate defined contributory schemes, the aggregate employer contribution paid to schemes amounted to £14,600,000 (2019 - £13,746,000).



Notes to the financial statements

at 31 December 2020

20. Provision for liabilities

	Claims against company £000	Restructuring £000	Onerous contracts £000	2020 £000	2019 £000
Opening balance at 1 January	255	-	7,713	7,968	3,144
Created during the year		100	18,022	18,122	10,600
Utilised during the year	(155)		(2,713)	(2,868)	(5,776)
Closing balance at 31 December	100	100	23,022	23,222	7,968

The provision relates to expected settlement amounts on claims against the Company and onerous contracts. The timing of the outflows are uncertain.

21. Contingent liabilities

- (a) The company has contingent liabilities in respect of performance bonds and supplier guarantees given in the normal course of business.
- (b) During the year the Royal BAM Group n.v. drew down on the revolving credit facility of €400m, to which the Company and other Group entities, is a guarantor. On 24 April 2020, the committed revolving credit facility was extended by one year to 31 March 2024, with the committed amount reducing to €360m from 1 April 2023. The utilisation of this facility as at December 2020 was €400m (2019: nil). 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.
- (c) The company 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 Parent Company, along with other Group entities, is party to a guarantee in respect of any individual Company's overdraft balance within the cash pooling facility with ABNAMRO Bank n.v. At 31 December 2020 there were nil (2019: nil) overdraft balances in companies in the cash pooling facility. The net overdraft position in the cash pooling facility as at 31 December 2020 was nil (2019: nil). This guarantee is not expected to give rise to any loss.

22. Share based payments

A former director of BAM Nuttall participated in a long-term incentive plan operated by the parent Company, Royal BAM Group nv. The long-term incentive plan consists of a conditional share-based compensation plan called the Performance Share Plan. The Performance Share Plan is applicable for members of the Executive Board and selected positions below the Executive Board of Royal BAM Group n.v.

Under the Performance Share Plan the number of performance shares granted is calculated by dividing the award value (expressed as a percentage of fixed remuneration) by the average share price based on the five trading days after the Royal BAM Group n.v. Annual General Meeting ('AGM'). The shares are granted on the sixth trading day following the day of the Royal BAM Group n.v. AGM and vest subject to the achievement of pre-determined performance conditions during a three-year period and provided that the participant is still employed by BAM Nuttall Limited or Royal BAM Group n.v. Participants are not allowed to divest any shareholding until the two year lock-up period has lapsed and the minimum share ownership requirements are met, with the exception of any sale of shares during the lock-up period to finance tax (and other levies) payable at the date of vesting. The value at the date of vesting of the Performance Share Plan is capped at 2.5 times the award value.



Notes to the financial statements

at 31 December 2020

23. Parent undertakings and controlling party

The company's immediate parent undertaking is BAM Group (UK) Limited, a company incorporated in England and Wales.

The smallest and 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.

24. Government grants

Government grants received in 2020 amounted to £6.1m (2019: £2.9m), of which £1.9m (2019: £2.9m) was related to R&D, and £4.2m (2019: £nil) was related to COVID-19 (via the Government's job retention scheme).

25. Subsequent events

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

