

SIR ROBERT McALPINE LIMITED

Annual Report & Accounts 31st October 2008

TUESDAY



A721W8TH

A02

07/04/2009

250

COMPANIES HOUSE

SIR ROBERT McALPINE LIMITED

Directors and Advisors

Directors

Malcolm H D McAlpine
Ian M McAlpine MA
The Hon. David M McAlpine
Cullum McAlpine
Richard H McAlpine
Andrew W McAlpine
R Edward T W McAlpine
Hector G McAlpine
Anthony W Barratt FCIQB
David M Boyle
Vince Corrigan MRICS
Benny Kelly B.Sc., MICE
Miles C Shelley BA, ACA
Colin B Weekley B.Sc., C.Eng., MICE

(appointed 1 March 2009)
(appointed 1 March 2009)
(resigned 31 December 2007)

Auditors

Deloitte LLP
Chartered Accountants
London

Bankers

Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7HN

Secretary

R P Walker BA, FCCA

Registered Office

Eaton Court
Maylands Avenue
Hemel Hempstead
Herts
HP2 7TR

SIR ROBERT McALPINE LIMITED

Report of the Directors

The Directors present their annual report together with the audited financial statements for the year ended 31st October 2008.

Principal Activity

The business of the Company is that of civil engineering and building contractors and this is expected to continue for the foreseeable future.

Review of the Business

The profit after taxation was £36,953,000 (2007: £23,034,000). During the year, an interim dividend of £25,000,000 was declared and paid (2007: £Nil) and this together with other recognised losses of £324,000 (2007: £17,000) has resulted in £11,629,000 being added to the surplus brought forward of £76,584,000 to give a surplus carried forward of £88,213,000. Turnover was £1.2bn for 2008 (2007: £1.3bn).

No final dividend on ordinary shares is recommended (2007: £Nil).

The Directors measure and monitor the performance of each contract separately and of the Company as a whole using various measures including operating and pre-tax profits and turnover (see page 6).

Construction

The Company has had another satisfactory year. From our turnover of £1.2bn, the retail, commercial, education and leisure sectors remain the most prominent.

Three of our PFI construction contracts reached major milestones during the year. We completed the second and final key phase of the £550m Colchester Garrison PFI which was successfully handed over more than 5 months early. Gateshead Schools PFI was also completed on time and on budget as was the first phase of Newcastle Schools BSF with 5 schools all being handed over on the same day.

Other notable contracts that were completed during the year included the retail projects at Cabot Circus, Bristol and Highcross, Leicester, the office developments at New Street Square for Land Securities and at Kings Place for Parabola Land and in the leisure sector, Closegate Hotel, Durham and the indoor snow centre Chill Factor[®] in Manchester.

Our forward workload remains at a high level. The most significant contract award during the year has come from the Olympic Development Authority where, with our Team Stadium Partners, we have concluded the contract to design and build the main stadium for the London 2012 Olympics. Progress is now well under way and the project remains on target for completion of the stadium in the summer of 2011.

Other contracts of note which we have commenced during the year include the extension to ExCel, office developments at Watermark Place and Riverbank House, and in joint venture the extension of the M74 in Glasgow.

Principal risks and uncertainties

Management of major contracts and construction risk: The risks that the Company is exposed to depend on the size and complexity of the project together with the legal form of the contract. The development and retention of high quality staff is vital to the success of our business and the effective operation of our risk procedures.

The Directors

The present members of the Board are shown on the previous page. David M Boyle resigned on 31st December 2007. R Edward T W McAlpine and Hector G McAlpine were appointed as Directors of the Company with effect from 1st March 2009. The remaining Directors served throughout the year and remain in office.

Indemnity provision

Third party indemnity provisions made by the ultimate parent company on behalf of all Directors within the Group were in force for the entire financial year.

Employees

The Company provides information to its employees both of a general corporate nature and to encourage awareness of financial and economic factors which affect the Company.

The Company's policy is to give full and fair consideration to applications for employment from disabled persons where they have the necessary aptitude and abilities. Where employees become disabled, the Company endeavours to continue their employment provided there are duties they can perform despite their disabilities.

It is also Company policy that there should be equal opportunities in the area of employment without discrimination.

Environmental Issues

The Company is committed to identifying and complying with all applicable legislation and statutory controls in accordance with our ISO 14001 accredited Environmental Management System.

SIR ROBERT McALPINE LIMITED

Report of the Directors

Payments to Creditors

The Company agrees terms and conditions for business transactions with its suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier.

During the year to 31st October 2008, the Company paid its suppliers of goods and services and subcontractors on average within 29 days (2007: 31 days) of receipt of invoice or certification. This average excludes amounts not currently due for payment but included within trade creditors.

Disclosure of Information to Auditors

Each Director, at the date of approval of this report, confirms that:-

- so far as he is aware, there is no relevant audit information which has not been disclosed to the auditors; and
- he has taken the necessary steps to ensure that he is aware of all relevant information and that this has been communicated to the auditors.

This confirmation is given and should be interpreted in accordance with S.234ZA of the Companies Act 1985.

Registered Office:
Eaton Court
Maylands Avenue
Hemel Hempstead
Herts
HP2 7TR



By Order of the Board
R P Walker
Company Secretary

11th March 2009

SIR ROBERT McALPINE LIMITED

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

United Kingdom company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable laws). The financial statements are required by law to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed; and
- 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 proper accounting records which 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 1985. They are also responsible for the Company's system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SIR ROBERT McALPINE LIMITED

Independent Auditors' Report to the Members of Sir Robert McAlpine Limited

We have audited the financial statements of Sir Robert McAlpine Limited for the year ended 31st October 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

11 March 2009

SIR ROBERT McALPINE LIMITED

Profit and Loss Account For the year ended 31st October 2008

	Notes	2008 £000	2007 £000
Turnover - continuing operations		1,187,216	1,297,024
Cost of sales		(1,129,917)	(1,260,833)
Gross profit		57,299	36,191
Administrative expenses		(10,897)	(9,606)
Operating profit - continuing operations	2	46,402	26,585
Profit on disposal of fixed assets		533	285
		46,935	26,870
Interest receivable and similar income	3	752	592
Amounts written off investments		(68)	(68)
Interest payable and similar charges	4	(269)	(263)
Other financial charges			
- Interest on post retirement medical scheme	16	(193)	(191)
Profit on ordinary activities before taxation		47,157	26,940
Tax on profit on ordinary activities	5	(10,204)	(3,906)
Profit on ordinary activities after taxation		36,953	23,034
Dividends paid	14	(25,000)	-
Retained profit for the financial year	13,14	11,953	23,034

SIR ROBERT McALPINE LIMITED

Statement of Total Recognised Gains and Losses *For the year ended 31st October 2008*

	2008 £000	2008 £000	2007 £000
Profit on ordinary activities after taxation		36,953	23,034
Actuarial losses on the post retirement medical scheme	(450)		(13)
Deferred tax relating to actuarial loss	126		(4)
		(324)	(17)
Total recognised gains and losses relating to the year		<u>36,629</u>	<u>23,017</u>

SIR ROBERT McALPINE LIMITED

Balance Sheet

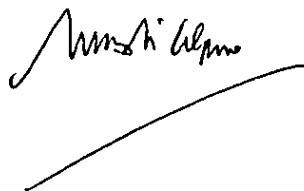
As at 31st October 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	6	20,615	19,030
Other fixed asset investments	7	2,861	2,929
		<u>23,476</u>	<u>21,959</u>
Current assets			
Stocks	8	768	719
Debtors - due within one year	9	483,938	436,179
- due after one year	9	17,393	16,796
Investments - short term deposits		3,750	-
Cash at bank and in hand		23,488	18,585
		<u>529,337</u>	<u>472,279</u>
Creditors:			
Amounts falling due within one year	10	(413,746)	(363,492)
Net current assets		<u>115,591</u>	<u>108,787</u>
Total assets less current liabilities		<u>139,067</u>	<u>130,746</u>
Creditors:			
Amounts falling due after more than one year	10	(19,685)	(19,170)
Provisions for liabilities	11	(10,450)	(14,532)
		<u>(30,135)</u>	<u>(33,702)</u>
Net assets excluding post retirement medical scheme		<u>108,932</u>	<u>97,044</u>
Post retirement medical scheme - net liabilities	16	(2,969)	(2,710)
Net Assets		<u>105,963</u>	<u>94,334</u>
Capital and reserves			
Called up share capital	12	17,750	17,750
Profit and loss account	13	88,213	76,584
Equity shareholders' funds	14	<u>105,963</u>	<u>94,334</u>

These financial statements were approved by the Board of Directors on 11 MARCH 2009.

Signed on behalf of the Board of Directors.

M H D McAlpine



Director

SIR ROBERT McALPINE LIMITED

Notes to the Accounts

1. Accounting Policies

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The accounting policies, which are described below, have been applied consistently throughout the current and preceding financial years.

Accounting convention

The financial statements have been prepared in accordance with the historical cost convention.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The financial position of the Company is set out in the balance sheet and the accompanying notes to the financial statements. A description of the principal risks facing the Company are set out in the Directors' Report.

The Company has satisfactory financial resources and carries no external debt. The core construction operations of the Company are characterised by long-term contracts and the level of activity in relation to these contracts is secure into the foreseeable future. As a consequence, the Directors believe that the Company will be able to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Joint arrangements

In accordance with Financial Reporting Standard No. 9, Associates and Joint Ventures (which requires departure from the Companies Act 1985), the Company accounts for its joint arrangements by taking its share of the profit and loss account, assets, liabilities and cash flows on a proportional consolidation basis.

Turnover

Turnover represents the value of civil engineering and building work carried out for clients of the Company during the year and includes the Company's share of turnover in joint arrangements. Turnover includes variations in contract work where the variations have been certified and includes claims where the claims have been paid. Profit is recognised on long term contracts when the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

Cost of sales

This is the direct cost of the work carried out during the year including provision for expected future losses and contingencies on contracts.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and less any provision for impairment.

Depreciation

Plant and equipment are depreciated over their estimated useful economic lives at declining rates based on their written down values. The rates are between 18% and 60% per annum.

Buildings occupied for trading purposes are written off over their estimated remaining useful lives by equal annual instalments. Leases are written off by equal annual instalments over the remainder of the lease. No depreciation is provided on freehold land.

Investments

Investments held as fixed assets are stated at cost less provision for material impairment in value.

Non-equity preference shares

In accordance with Financial Reporting Standard No. 25, Financial Instruments: Disclosure and Presentation, shares which are considered to be non-equity are presented as liabilities within the Balance Sheet and dividends paid thereon are shown as Interest Payable within the Profit and Loss Account.

Stocks and work in progress

Stocks of materials and stores and work in progress have been valued at the lower of cost and net realisable value.

Amounts recoverable on contracts

This represents the amounts due on contracts in accordance with SSAP 9, Stocks and Long-term Contracts.

Operating leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the life of the lease.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Financial Reporting Standard No. 19, Deferred Tax, requires full provision for timing differences which have originated at the balance sheet date and which could give rise to an obligation to pay more or less tax in the future. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Retirement benefits

The Company operates a Defined Benefit Pension Scheme and a Post Retirement Health Scheme in accordance with Financial Reporting Standard No. 17, Retirement Benefits.

The assets and liabilities of the pension scheme cannot be identified between the different companies within the scheme, so, as permitted by the Standard, the scheme is accounted for by the Company as if it were a defined contribution scheme. Further disclosures are shown in Note 15 and full disclosures of the scheme under FRS 17 Accounting, are shown in the accounts of Newarthill Limited.

The Post Retirement Medical Scheme has no assets and the liabilities, as calculated in accordance with FRS 17, have been apportioned between the relevant companies involved in the scheme. Full details of the scheme are shown in Note 16.

Cash flow

Under Financial Reporting Standard No. 1, Cash Flow Statements, the Company is exempt from the requirement to prepare a cash flow statement since it is included within the consolidated accounts of the ultimate parent company.

SIR ROBERT McALPINE LIMITED

Notes to the Accounts

2. Operating profit

Operating profit is arrived at after charging/crediting:

	2008 £000	2007 £000
Depreciation - owned assets	6,387	5,951
- leased assets	88	87
Operating leases - other	3,193	2,995
Hire of plant and machinery	7,487	7,033
Profit on disposal of fixed assets	1,217	406
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	164	160
Directors		
Aggregate emoluments of the Directors of the Company:		
Salaries and taxable benefits	8,202	6,295
Pensions	915	665
	<u>9,117</u>	<u>6,960</u>

Where Directors are also Directors of the other Newarthill group companies, their emoluments have been apportioned where possible. Where this is impracticable the above figures include their entire emoluments, even if this has not been charged to Sir Robert McAlpine Limited.

	2008 £000	2007 £000
Staff costs including Directors' emoluments:		
Wages and salaries	101,699	89,699
Social security costs	10,703	9,345
Other pension costs	3,337	3,081
	<u>115,739</u>	<u>102,125</u>

	Number	Number
Average number employed during the year including Directors	2,178	2,023

Emoluments of the highest paid Director are as follows:

	2008	2007
Aggregate emoluments excluding pension contributions	<u>£1,242,643</u>	<u>£805,585</u>

The accrued pension of the highest paid Director was £200,759 (2007: £126,705).

Retirement benefits are accruing to nine (2007: ten) Directors under defined benefit schemes.

3. Interest receivable and similar income

	2008 £000	2007 £000
Dividends received	4	8
Interest received	748	584
	<u>752</u>	<u>592</u>

SIR ROBERT McALPINE LIMITED

Notes to the Accounts

4. Interest payable and similar charges

	2008 £000	2007 £000
5.425% cumulative preference shares	217	217
5.6% cumulative second preference shares	42	42
Interest payable	10	4
	<u>269</u>	<u>263</u>

5. Tax on profit on ordinary activities

	2008 £000	2007 £000
Tax on profit on ordinary activities:		
Current year:		
United Kingdom Corporation Tax	10,898	4,874
Prior year:		
United Kingdom Corporation Tax	(720)	(1,056)
	<u>10,178</u>	<u>3,818</u>
Current year:		
Deferred tax - origination and reversal of timing differences	26	88
	<u>10,204</u>	<u>3,906</u>
Factors affecting the tax charge for the current year:		
Profit on ordinary activities before tax	47,157	26,940
United Kingdom Corporation Tax at 28.8% (2007: 30%)	13,595	8,082
Effects of:		
Disallowable expenditure	673	614
Income not taxable	(9)	(87)
Capital allowances in excess of depreciation	63	(265)
Group relief not paid for	(917)	-
Effect of gains	(243)	-
Losses utilised	-	(1,457)
Prior year adjustments	(720)	(1,056)
Transfer pricing adjustment	(2,040)	(2,031)
Other timing differences	(224)	18
Tax charge for the year	<u>10,178</u>	<u>3,818</u>

Factors that may affect the future tax charge:

Deferred tax assets have not been recognised in respect of timing differences relating to depreciation in excess of capital allowances and short term timing differences as there is insufficient evidence that the assets will be recovered. The amount of the assets not recognised is £3,141,000 (2007: £3,404,000). The assets will be recovered if there are sufficient taxable profits in future years.

The unprovided deferred tax asset is analysed as follows:

	2008 £000	2007 £000
Depreciation in excess of capital allowances	2,075	2,159
Short term timing differences	1,066	1,245
	<u>3,141</u>	<u>3,404</u>

SIR ROBERT McALPINE LIMITED

Notes to the Accounts

6. Tangible fixed assets

	Total £000	Freehold land and properties £000	Long leasehold properties £000	Short leasehold properties £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000
Cost						
As at 1 st November 2007	60,317	2,437	486	1,958	35,905	19,531
Additions	9,524	266	-	-	8,474	784
Disposals	(6,836)	(391)	-	-	(5,415)	(1,030)
As at 31 st October 2008	63,005	2,312	486	1,958	38,964	19,285
Depreciation						
As at 1 st November 2007	41,287	1,409	102	1,792	22,134	15,850
Charge for the year	6,475	86	5	83	4,550	1,751
Disposals	(5,372)	(72)	-	-	(4,568)	(732)
As at 31 st October 2008	42,390	1,423	107	1,875	22,116	16,869
Net book value as at 31st October 2008	20,615	889	379	83	16,848	2,416
Net book value as at 31 st October 2007	19,030	1,028	384	166	13,771	3,681

7. Other fixed asset investments

	Total £000	Loans £000	Shares in Subsidiary Companies £000
Cost			
As at 1 st November 2007 and 31 st October 2008	3,182	2,861	321
Provisions			
As at 1 st November 2007	253	136	117
Charge for the year	68	68	-
As at 31 st October 2008	321	204	117
Net book value as at 31st October 2008	2,861	2,657	204
Net book value as at 31 st October 2007	2,929	2,725	204

The principal subsidiary company is Sir Robert McAlpine Management Contractors Limited which is wholly owned, registered in England and Wales and incorporated in Great Britain. Its principal activity is that of civil engineering and building.

8. Stocks

	2008 £000	2007 £000
Materials and consumables	678	629
Properties held for development and sale	90	90
	768	719

SIR ROBERT McALPINE LIMITED

Notes to the Accounts

9. Debtors

	2008 £000	2007 £000
Amounts falling due within one year:		
Amounts recoverable on contracts	125,505	148,557
Amounts owed by ultimate parent company	336,383	257,805
Amounts owed by immediate parent company	-	4,560
Amounts owed by subsidiary companies	39	56
Amounts owed by fellow subsidiaries	6,692	9,276
Amounts owed by joint arrangements	576	369
Other debtors	13,570	13,592
Taxation	127	68
Prepayments and accrued income	1,046	1,896
	<u>483,938</u>	<u>436,179</u>
Amounts falling due after one year:		
Amounts recoverable on contracts	16,695	16,049
Other debtors	698	747
	<u>17,393</u>	<u>16,796</u>

10. Creditors

	2008 £000	2007 £000
Amounts falling due within one year:		
Payments on account	10,000	-
Trade creditors	320,640	294,134
Amounts owed to immediate parent company	20,729	-
Amounts owed to subsidiary companies	1,074	2,088
Amounts owed to fellow subsidiaries	39	72
Amounts owed to joint arrangements	-	53
Other creditors	915	1,089
Taxation and social security	12,716	10,672
Accruals	24,287	17,180
Deferred income	23,346	38,204
	<u>413,746</u>	<u>363,492</u>
Amounts falling due after more than one year:		
Non-equity preference shares (see note 12)	4,750	4,750
Trade creditors	14,935	14,420
	<u>19,685</u>	<u>19,170</u>

11. Provisions for liabilities

	£000
As at 1 st November 2007	14,532
Credited to the profit and loss account	(4,082)
As at 31 st October 2008	<u>10,450</u>

There was no unprovided liability to deferred taxation at the year end (2007: £Nil).

Provisions relate to expected future losses on incomplete contracts.

SIR ROBERT McALPINE LIMITED

Notes to the Accounts

12. Called up share capital

	Authorised, called up, allotted and fully paid	
	2008	2007
	£000	£000
Equity		
Ordinary shares of £1 each	17,750	17,750
Non-equity preference shares (non-voting)		
5.425% cumulative preference shares of £1 each	4,000	4,000
5.6% cumulative second preference shares of £1 each	750	750
Total non-equity preference shares (see note 10)	4,750	4,750

13. Movement on reserves

<u>Profit and loss account</u>	£000
As at 1 st November 2007	76,584
Retained profit for the financial year	11,953
Other recognised gains and losses	(324)
As at 31 st October 2008	88,213

14. Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Profit on ordinary activities after taxation	36,953	23,034
Interim dividend paid (140.85 pence per Ordinary share)	(25,000)	-
Retained profit for the financial year	11,953	23,034
Opening shareholders' funds	94,334	71,317
Other recognised gains and losses relating to the year	(324)	(17)
Closing shareholders' funds	105,963	94,334

15. Retirement benefits

The Company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The pension cost relating to the scheme is assessed in accordance with the advice of an external, qualified actuary using the projected unit method. The latest actuarial valuation of the scheme was at 31st October 2006. The assumptions which have a significant effect on the results of the valuation are those relating to the rate of return on the investments and the rates of increases in salaries and pensions. It was assumed that the investment return would exceed the rate of salary increases by 2.5% per annum and the rate of pension increases by 4.0% per annum or 3.5% per annum to the extent that the pension was earned by service between 6th April 1997 and 5th April 2005. At the date of the latest actuarial valuation, the market value of the scheme's investments amounted to £299m and the actuarial value of these investments was sufficient to cover 104% of the benefits that had accrued to members. The scheme has been closed to new entrants and under the projected unit method the current service cost will increase as the members approach retirement.

The Company and the Group of which it is a member prepare accounts in accordance with Financial Reporting Standard No. 17, Retirement Benefits. Full disclosures of the scheme are shown in the accounts of Newarthill Limited. These disclosures show the scheme to have a net deficit of £12.3m attributable to the Newarthill Limited Group before deducting deferred tax (2007: net surplus of £9.9m, although this surplus was written down to £Nil via an additional charge included within Actuarial Gains). As the assets and liabilities of the pension scheme cannot be identified between the different companies within the scheme, the Company accounts for the charges against the scheme as if it were a defined contribution scheme.

SIR ROBERT McALPINE LIMITED

Notes to the Accounts

16. Post-retirement medical scheme - net liabilities

In addition to providing pension benefits, the Company provides unfunded post-retirement medical insurance benefits for a number of its employees after retirement. Disclosures required by Financial Reporting Standard No. 17, in relation to the Post Retirement Medical Scheme, are as follows:

	2008 £000	2007 £000
Actuarial Assumptions		
Discount rate	6.30%	5.50%
Medical expenses inflation	10.50%	10.50%
Insurance premium inflation	7.00%	7.00%
 Company Share of the Present Value of Liabilities		
Present value of liabilities	(4,123)	(3,764)
Deferred tax asset	1,154	1,054
	<u>(2,969)</u>	<u>(2,710)</u>
 Analysis of the amount charged to operating profit		
- current service costs	(35)	(34)
	<u>(35)</u>	<u>(34)</u>
 Analysis of the amount charged to interest payable		
- interest on scheme's liabilities	(193)	(191)
	<u>(193)</u>	<u>(191)</u>
 Analysis of the actuarial losses		
- experience loss arising on scheme liabilities	(260)	(235)
- effects of changes in assumptions underlying the present value of scheme's liabilities	(190)	222
	<u>(450)</u>	<u>(13)</u>
 Analysis of the movement on the scheme's deficit and scheme liabilities during the year		
Scheme deficit and scheme liabilities at the beginning of the year	(3,764)	(3,822)
Current service costs	(35)	(34)
Contributions	319	296
Interest payable	(193)	(191)
Actuarial losses	(450)	(13)
	<u>(4,123)</u>	<u>(3,764)</u>
Scheme deficit and scheme liabilities at the end of the year		
Deferred tax asset	1,154	1,054
	<u>(2,969)</u>	<u>(2,710)</u>
Post-retirement medical scheme - net liabilities		

SIR ROBERT McALPINE LIMITED

Notes to the Accounts

16. Post-retirement medical scheme - net liabilities (continued)

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Experience gains and losses on the scheme's liabilities	(260)	(235)	(302)	35	200
Scheme liabilities (unfunded) and net deficit	(4,123)	(3,764)	(3,822)	(3,431)	(3,153)

17. Commitments

Capital commitments contracted for but not provided in the financial statements in respect of plant and vehicles amounted to £0.1m (2007: £1.0m).

Annual commitments for land and buildings under non-cancellable operating leases were as follows:

	2008 £000	2007 £000
Operating leases which expire:		
Within one year	538	696
In two to five years	703	416
Over five years	1,686	1,684
	<u>2,927</u>	<u>2,796</u>

18. Contingent liabilities

There were contingent liabilities in respect of:

- guarantees of contract performance bonds given in the normal course of business; and
- completed and uncompleted contracts.

It is impracticable to estimate the financial effect, timing or probability of payment in relation to the above contingent liabilities.

19. Related party transactions

The Company is a wholly owned subsidiary of Newarthill Limited and has taken advantage of the exemption which is conferred by Financial Reporting Standard No. 8, Related Party Disclosures, that allows it not to disclose transactions with group undertakings. The following disclosures are required under FRS 8.

Within turnover, there were transactions amounting to £8.4m (2007: £3.6m) in respect of construction and other contracts on normal commercial terms with various joint arrangements, of which £1.0m (2007: £0.8m) was owing at the year end. Within cost of sales, there were £2.4m (2007: £14.5m) of transactions and there was no balance outstanding at year end (2007: £Nil). Details of the principal unincorporated joint arrangements are shown in Note 21.

Included within Other Debtors were balances of £3.6m (2007: £3.6m) owing from McAulay Market Buildings Limited and £3.7m (2007: £3.7m) owing from McAulay Tudor House Limited in which a number of Directors have an interest. Included in turnover was £0.2m (2007: £1.4m) of work undertaken for McAulay Market Buildings Limited.

20. Ultimate parent company

The immediate parent company is Sir Robert McAlpine (Holdings) Limited and the ultimate parent company is Newarthill Limited. These companies represent the smallest and largest groups to prepare consolidated accounts which include the results of this entity. Copies of the Group accounts can be obtained from Newarthill Limited, 40 Bernard Street, London WC1N 1LG.

The ultimate controlling party is The McAlpine Partnership Trust, of which certain of the trustees are Directors of the Company.

21. Principal unincorporated joint arrangements

The following represent the principal unincorporated joint arrangements of the Company, all within the United Kingdom, as at 31st October 2008.

	Company holding
Construction	
McAlpine/Amey/Taylor Woodrow/Barr JV	30%
Integrated Health Projects JV	50%
MVM JV	33 1/3%
Interlink M74 JV	25%