

Registration number: 02754943

Sir Robert McAlpine (Holdings) Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 October 2017



Sir Robert McAlpine (Holdings) Limited

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Sir Robert McAlpine (Holdings) Limited

Company Information

Directors	Gavin M McAlpine BA, MSc R Edward T W McAlpine Hector G McAlpine Paul C Hamer Karen J Brookes FCIPD, MBA Boyd A McFee BSc., C.Eng., MICE, FCIQB Martin C Pitt FRICS LLB Miles C Shelley BA, ACA
Company Secretary	John A Dempsey BA, ACMA, CGMA
Registered office	Eaton Court Maylands Avenue Hemel Hempstead Hertfordshire HP2 7TR
Auditor	Deloitte LLP Statutory Auditor London, United Kingdom

Sir Robert McAlpine (Holdings) Limited

Strategic Report for the Year Ended 31 October 2017

The Directors present their strategic report for the year ended 31 October 2017.

Principal activities

Sir Robert McAlpine (Holdings) Limited is a leading building and civil engineering construction group operating primarily within the United Kingdom. The Group comprises a number of subsidiaries including Sir Robert McAlpine Limited. Sir Robert McAlpine (Holdings) Ltd is an investment holding company and its principal activity is the co-ordination of the Group's activities in construction and PPP contracts.

As we approach our 150-year anniversary, we continue to build on, strengthen and apply the values that have always been at the heart of our operations: a commitment to the highest standards of safety; quality; engineering excellence; sustainability; and an unswerving focus on the needs and aspirations of our clients.

Fair review of the business

Paul Hamer joined Sir Robert McAlpine Ltd as Chief Executive on 31st July 2017. Paul is working with the McAlpine family, the Board and colleagues to create and drive future success. Building on the engineering excellence that is central to every contract, and drawing on the tradition and heritage of Sir Robert McAlpine, Paul is enhancing the company's focus on clients and their needs whilst building on delivery excellence in all of its operations.

Over the course of 2017, Sir Robert McAlpine worked on three energy projects, all of which have incurred considerable losses. Two of these were 'energy from waste' projects which were completed during the year; the final accounts have been agreed with the client and all claims settled. The last project is forecast to be completed by October 2018. The losses incurred or forecast on these projects have been shown as an exceptional item to ensure that anyone reviewing the Group's financial statements has a full understanding of the results. The Group will no longer undertake projects in this sector.

Working with the McAlpine family and the Board, Paul Hamer led a strategic review into the market sectors within which Sir Robert McAlpine Ltd will operate. It was decided that the business will decline future 'energy from waste' construction contracts and other energy projects which carry inherent process risk. The UK construction business continues to work across most other major market sectors, tailoring its design, construction, technical and management capabilities to meet its clients' varying needs.

The Group's key financial indicators are turnover and profit before tax. For 2017, these are:

- The profit on ordinary activities before taxation and exceptional items of the Group was £18.1m compared with a profit of £26.9m in 2016.
- After the exceptional item for losses on energy from waste projects the Group made a pre-tax loss of £19.0m compared with a profit of £15.2m in 2016.
- Group turnover was £937.6m (2016: £861.0m).

Construction

While the UK construction market remains highly competitive, the construction profits, before exceptional items, of the Group have increased, albeit margins remain unsatisfactory.

During 2017, the Board of Sir Robert McAlpine Ltd continued to concentrate on enhancing the company's focus on clients and driving exemplary delivery capabilities. The business is starting to experience the positive impact of an improved risk management, tendering procedures and, critically, operational delivery. Combined with Sir Robert McAlpine's core commitments of delivering safely, on time, defect-free and sustainably which continue to shape the business, we expect this to drive improved profitability in 2018 and beyond.

Sir Robert McAlpine has completed a number of significant projects over the last year including: the new US Embassy in London for the US State Department; the West Quay shopping centre in Southampton for Hammerson; 132,000 sq. ft. of grade A office accommodation at Silver Fin in Aberdeen for the BA Pension Trust Fund; and its first in-house developed student accommodation project in Coventry. It has handed over the two Energy from Waste projects for HZI in Avonmouth and Buckinghamshire.

Sir Robert McAlpine (Holdings) Limited

Strategic Report for the Year Ended 31 October 2017

Construction (continued...)

Sir Robert McAlpine Ltd has also won or commenced work on a number of notable projects since our last Strategic Report. Building on its considerable expertise and experience of delivering heritage projects, in London it started the refurbishment of The Elizabeth Tower (the clock tower housing Big Ben) and began another phase of work at the Royal Albert Hall. It continued to deliver large scale PRS projects in city-centre locations, winning three further projects: Manchester Gore Street for UK Land & Property funded by Grainger; Birmingham Exchange Square for Nikal; and Victoria Square in Woking for Woking County Council and Moyallen Developments - the first major project for the company's newly formed South-East division.

The company continues to grow its share of the construction management market - this is providing a strong income stream with a lower level of risk than traditional contracting. Having reached practical completion on the new European Headquarters for Bloomberg in London, it commenced another major project in 2017: Phase 3A of the Battersea residential development with a budgetary value of £700m. Looking forward, we forecast that construction management will represent as much as 50% of Sir Robert McAlpine's workload in London.

The proportion of turnover from frameworks has increased as Sir Robert McAlpine Ltd continues working with British Land at Broadgate in London commencing two new projects and, in the healthcare sector, through the P22 framework.

The Civil Engineering division has a clear focus on building long term collaborative relationships with customers who themselves have long term investment plans. The company's initial ambition is to secure new contracts for three key infrastructure customers: Highways England; High Speed 2; and new nuclear. For High Speed 2, it is a partner in the Align JV alongside Bouygues and VolkerFitzpatrick. Align JV has been awarded Contract C1 which forms part of HS2 Phase 1 and includes a new viaduct across the Colne Valley and tunnels under the Chilterns. This project has a budgetary construction value of £965m and construction is due to start in 2018/19 following a period of detailed design.

The Group recognises the importance of our supply chain and we know that we can only achieve exemplary performance through working in partnership with many subcontractors both large and small who collaborate with us on the delivery of our projects. We remain committed to treating them fairly and supporting them with fair payment practices.

The Group also recognises that our people remain our greatest asset and we are committed and focused on creating an environment in which everyone has the opportunity to develop to their full potential. In this regard a new People Strategy has been implemented which focuses on the development of our people, improving our approach to Equality, Diversity and Inclusion, to make Sir Robert McAlpine a leading employer of choice in the industry.

We are very positive about Sir Robert McAlpine's prospects for 2018 and beyond with the level of secured turnover in the pipeline the highest it has been in recent years. However, we will remain cautious and continue to move the business away from fixed price contract risk to a more collaborative approach with our clients.

Capital Ventures

There were no movements in our portfolio of PPP investments during the year and we continue to focus on the delivery of services through the project companies. All of our projects have reached construction completion and are in the services delivery stage. The service delivery of our two road concessions are being provided profitably by our construction business, whilst all of the facilities management services on our other concessions are being delivered by third party contractors.

Property Development and Investments

We have had a successful year focused on adding value to our existing portfolio rather than expanding the amount of properties under management.

Taxation

The group has a small tax credit of £1.1m, relating primarily to deferred tax credits.

Cash and Borrowings

The group had cash balances of £189.6m (2016 - £206.8m) at the year end. Total Senior loan borrowings were £172.4m (2016 - £178.0m) and this is comprised of non-recourse debt in our wholly-owned PPP special purpose vehicles.

Sir Robert McAlpine (Holdings) Limited

Strategic Report for the Year Ended 31 October 2017

Outlook

The Group continues to have substantial cash balances and with only non-recourse borrowing in our PPP SPVs, we are well placed to exploit opportunities within both the construction and other investment sectors as they arise. The Group has no debt facilities that are repayable on demand and the Group is not subject to any debt covenants or other restrictions. The Group will continue to prioritise profitability and risk mitigation over turnover growth and expects to see a return to robust profitability in the coming year and beyond.

Principal risks and uncertainties

Management of major contracts and bidding risk: The risks that the Group are 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 Group maintains strong risk based procedures with particular emphasis on the tendering process and change management.

Contract execution risk: The Group is exposed to risks that could impact on the delivery of contracts to our clients on time, on budget and to the required specification. Rigorous policies and processes have been introduced for mobilisation, monitoring and management of contract performance and maintains a focus on identifying and reporting risks at every stage of the contract. Regular contract reviews are undertaken at a number of levels within the business. The Group monitors the performance of joint arrangements, subcontractors and suppliers throughout the contract.

Interest rate and financial instrument risks: The Group carries no significant debt other than non-recourse borrowing in project companies. Interest rate risk in those project companies is managed by interest rate swaps or fixed rate borrowing.

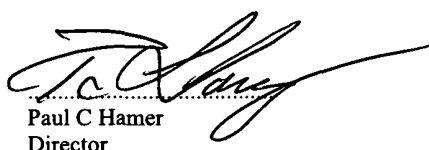
Defined benefit pension scheme: the group maintains two defined benefit pension schemes, both of which have a deficit for which robust recovery plans are in place – see note 23. Following the end of the year the Group closed the larger of the two schemes to future accrual.

Treasury risk management: Foreign currency exposure in trading activities is mitigated by entering into forward exchange rate contracts. The Group reviews its cash and investments on a regular basis.

Macroeconomic and geopolitical: The uncertainty in the market as a result of Brexit, its potential impact on labour availability and the risk of increased costs due to currency fluctuations, is a concern for the industry as a whole. The Group monitors and reviews this and other macroeconomic and geopolitical risks on a regular basis.

Governance risk control and mitigation: The challenging of the principal risks and uncertainties forms part of the work of the audit committee. The audit committee also satisfies itself as to the independence of the auditor as well as robustly challenging accounting policies, judgements and estimates, and the Directors' assessment of whether it is appropriate to adopt the going concern basis of accounting.

Approved by the Board on 14/06/2018 and signed on its behalf by:



Paul C Hamer
Director

Sir Robert McAlpine (Holdings) Limited

Directors' Report for the Year Ended 31 October 2017

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 October 2017.

Directors of the Group

The directors who held office during the year and to the date of this report, unless otherwise stated were as follows:

Gavin M McAlpine BA, MSc

R Edward T W McAlpine

Hector G McAlpine

Paul C Hamer (appointed 31 July 2017)

Boyd A McFee BSc., C.Eng., MICE, FCIOB

Martin C Pitt FRICS LLB

Miles C Shelley BA, ACA

Jacqueline Mitchell-Innes Chartered FCIPD (resigned 31 March 2017)

Mark G Williamson B.Eng (resigned 1 November 2017)

The following director was appointed after the year end:

Karen J Brookes FCIPD, MBA (appointed 1 November 2017)

Dividends

No interim dividends were paid during the year. The Directors do not recommend payment of a final dividend.

Financial instruments

Objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives to manage these risks is governed by the Group's policies approved by the board of Directors. The Group does not use derivative financial instruments for speculative purposes.

Price risk, credit risk, liquidity risk and cash flow risk

The Group's principal risks and uncertainties are included in the Strategic Report.

Employment of disabled persons

It is Group policy 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 Group endeavours to continue their employment provided there are duties they can perform despite their disabilities.

It is also Group policy that there should be equal opportunities in the area of employment without discrimination. Employees are treated equally and fairly, and selection for training, promotion, career progression and other benefits is taken solely on merit and ability to perform against role profiles.

Employee involvement

The Group provides information to its employees both of a general company nature and to encourage awareness of financial, economic, strategic and other factors which affect the Group. We achieve this through formal and informal briefings, our Group magazine and our intranet.

Future developments

Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

Sir Robert McAlpine (Holdings) Limited

Directors' Report for the Year Ended 31 October 2017

Going concern

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 financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note in the financial statements.

Directors' liabilities

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.

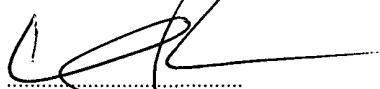
Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 14/06/2018 and signed on its behalf by:



Kevin J Pearson BSc., ACA
Company secretary

Sir Robert McAlpine (Holdings) Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual 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 FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland". 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

Sir Robert McAlpine (Holdings) Limited

Independent Auditor's Report to the Members of Sir Robert McAlpine (Holdings) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 October 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sir Robert McAlpine (Holdings) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 October 2017, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and related Notes to the Financial Statements 1 to 32, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 Group 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Sir Robert McAlpine (Holdings) Limited

Independent Auditor's Report to the Members of Sir Robert McAlpine (Holdings) Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent 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.

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

Report on other legal and regulatory requirements

Opinion on other matter 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 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.

In the light of our knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Sir Robert McAlpine (Holdings) Limited

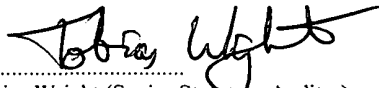
Independent Auditor's Report to the Members of Sir Robert McAlpine (Holdings) Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



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Tobias Wright (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor

London, United Kingdom

Date: 19 June 2018

Sir Robert McAlpine (Holdings) Limited

Consolidated Profit and Loss Account for the Year Ended 31 October 2017

		Before exceptional item 2017 £ 000	Exceptional item 2017 £ 000	2017 £ 000	Before exceptional item # 2016 £ 000	Exceptional item # 2016 £ 000	2016 £ 000
Turnover	3	875,271	62,301	937,572	830,686	30,300	860,986
Cost of sales		<u>(835,600)</u>	<u>(99,421)</u>	<u>(935,021)</u>	<u>(788,309)</u>	<u>(42,000)</u>	<u>(830,309)</u>
Gross profit/(loss)		39,671	(37,120)	2,551	42,377	(11,700)	30,677
Administrative expenses		(19,054)	-	(19,054)	(21,155)	-	(21,155)
Other operating gains	4	<u>542</u>	<u>-</u>	<u>542</u>	<u>293</u>	<u>-</u>	<u>293</u>
Operating profit/(loss)	5	<u>21,159</u>	<u>(37,120)</u>	<u>(15,961)</u>	<u>21,515</u>	<u>(11,700)</u>	<u>9,815</u>
(Loss)/gain on financial assets at fair value through profit and loss account		(1,746)	-	(1,746)	6,124	-	6,124
Interest receivable and similar income	7	4,746	-	4,746	4,385	-	4,385
Amounts written off investments		(2,468)	-	(2,468)	(898)	-	(898)
Interest payable and similar charges	8	<u>(12,573)</u>	<u>-</u>	<u>(12,573)</u>	<u>(11,937)</u>	<u>-</u>	<u>(11,937)</u>
		(12,041)	-	(12,041)	(2,326)	-	(2,326)
Share of profit of equity accounted investees		<u>8,956</u>	<u>-</u>	<u>8,956</u>	<u>7,755</u>	<u>-</u>	<u>7,755</u>
Profit/(loss) before tax		18,074	(37,120)	(19,046)	26,944	(11,700)	15,244
Taxation	12	<u>1,147</u>	<u>-</u>	<u>1,147</u>	<u>610</u>	<u>-</u>	<u>610</u>
Profit/(loss) for the financial year		<u>19,221</u>	<u>(37,120)</u>	<u>(17,899)</u>	<u>27,554</u>	<u>(11,700)</u>	<u>15,854</u>
Profit/(loss) attributable to:							
Owners of the company		<u>19,221</u>	<u>(37,120)</u>	<u>(17,899)</u>	<u>27,554</u>	<u>(11,700)</u>	<u>15,854</u>

The above results were derived from continuing operations.

restated (see note 2)

Sir Robert McAlpine (Holdings) Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 October 2017

	2017 £ 000	2016 £ 000
(Loss)/profit for the financial year	(17,899)	15,854
Unrealised loss on cash flow hedges	(33)	(3,412)
Foreign currency translation (losses)/gains	(4,553)	12,038
Remeasurement loss on post-retirement medical scheme	(691)	(914)
Deferred tax relating to remeasurement loss on post-retirement medical scheme	115	180
	(5,162)	7,892
Total comprehensive (loss)/income for the year	(23,061)	23,746
Total comprehensive (loss)/income attributable to:		
Equity shareholders of the company	(23,061)	23,746

The notes on pages 18 to 49 form an integral part of these financial statements.

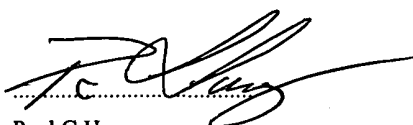
Sir Robert McAlpine (Holdings) Limited

(Registration number: 02754943)

Consolidated Balance Sheet as at 31 October 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	13	5,689	6,663
Tangible assets	14	35,761	34,994
Investments	15	28,497	26,084
Other financial assets	16	15,748	16,138
		<u>85,695</u>	<u>83,879</u>
Current assets			
Stocks	17	2,784	3,145
Debtors due in less than one year	18	439,160	393,003
Debtors due in more than one year	18	162,989	169,360
Cash at bank and in hand	19	189,643	206,774
		<u>794,576</u>	<u>772,282</u>
Creditors: Amounts falling due within one year	20	<u>(531,422)</u>	<u>(501,907)</u>
Net current assets		<u>263,154</u>	<u>270,375</u>
Total assets less current liabilities		348,849	354,254
Creditors: Amounts falling due after more than one year	20	(235,925)	(237,775)
Provisions for liabilities	21	<u>(28,486)</u>	<u>(9,336)</u>
Net assets excluding post-retirement medical scheme		84,438	107,143
Post-retirement medical scheme	22	<u>(5,583)</u>	<u>(5,227)</u>
Net assets		<u>78,855</u>	<u>101,916</u>
Capital and reserves			
Called up share capital	23	78,050	78,050
Merger reserve		(56,600)	(56,600)
Other reserves		22,558	26,894
Profit and loss account		<u>34,847</u>	<u>53,572</u>
Total equity		<u>78,855</u>	<u>101,916</u>

Approved and authorised by the Board on 14/06/2018 and signed on its behalf by:



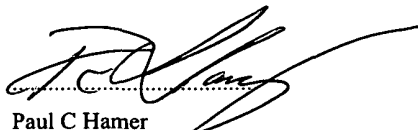
Paul C Hamer
Director

Sir Robert McAlpine (Holdings) Limited
(Registration number: 02754943)
Company Balance Sheet as at 31 October 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	14	11,492	12,162
Investments	15	83,105	83,105
		<u>94,597</u>	<u>95,267</u>
Current assets			
Debtors due in less than one year	18	108,586	113,923
Cash at bank and in hand	19	10,027	25,001
		118,613	138,924
Creditors: Amounts falling due within one year	20	<u>(125,903)</u>	<u>(146,837)</u>
Net current liabilities		<u>(7,290)</u>	<u>(7,913)</u>
Net assets		<u>87,307</u>	<u>87,354</u>
Capital and reserves			
Called up share capital	23	78,050	78,050
Other reserves		6,327	6,290
Profit and loss account		<u>2,930</u>	<u>3,014</u>
Total equity		<u>87,307</u>	<u>87,354</u>

As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the Company is presented. The Company made a loss after tax for the financial year of £285,000 (2016 - profit of £49,935,000).

Approved and authorised by the Board on 14/06/2018 and signed on its behalf by:


Paul C Hamer
Director

Sir Robert McAlpine (Holdings) Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 October 2017
Equity attributable to the parent company

	Share capital £ 000	Merger reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 November 2016	78,050	(56,600)	26,894	53,572	101,916
Loss for the year	-	-	-	(17,899)	(17,899)
Other comprehensive loss (see note 24)	-	-	(4,336)	(826)	(5,162)
Total comprehensive loss	-	-	(4,336)	(18,725)	(23,061)
At 31 October 2017	78,050	(56,600)	22,558	34,847	78,855

	Share capital £ 000	Merger reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 November 2015	78,050	(56,600)	19,017	70,703	111,170
Profit for the year	-	-	-	15,854	15,854
Other comprehensive income (see note 24)	-	-	7,877	15	7,892
Total comprehensive income	-	-	7,877	15,869	23,746
Dividends	-	-	-	(33,000)	(33,000)
At 31 October 2016	78,050	(56,600)	26,894	53,572	101,916

The notes on pages 18 to 49 form an integral part of these financial statements.
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Sir Robert McAlpine (Holdings) Limited

Company Statement of Changes in Equity for the Year Ended 31 October 2017

	Share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2016	78,050	6,290	3,014	87,354
Loss for the year	-	-	(285)	(285)
Other comprehensive income (see note 24)	-	238	-	238
Total comprehensive income/(loss)	-	238	(285)	(47)
Transfers	-	(201)	201	-
At 31 October 2017	78,050	6,327	2,930	87,307

	Share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2015	78,050	7,089	(14,122)	71,017
Profit for the year	-	-	49,935	49,935
Other comprehensive loss (see note 24)	-	(598)	-	(598)
Total comprehensive (loss)/income	-	(598)	49,935	49,337
Dividends	-	-	(33,000)	(33,000)
Transfers	-	(201)	201	-
At 31 October 2016	78,050	6,290	3,014	87,354

The notes on pages 18 to 49 form an integral part of these financial statements.

Sir Robert McAlpine (Holdings) Limited

Consolidated Statement of Cash Flows for the Year Ended 31 October 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(17,899)	15,854
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	8,156	6,851
Profit on disposal of tangible assets	5	(542)	(293)
Finance income	7	(4,746)	(4,385)
Finance costs and amounts written off investments		15,041	12,835
Share of profit of equity accounted investees		(8,956)	(7,755)
Taxation	12	(1,147)	(610)
		(10,093)	22,497
Working capital adjustments			
Decrease/(increase) in stocks	17	361	(428)
Increase in debtors		(20,908)	(10,867)
Increase/(decrease) in creditors		27,109	(1,529)
Decrease in post-retirement medical scheme obligation net of actuarial changes	22	(470)	(218)
Increase/(decrease) in provisions		19,565	(39,767)
(Decrease)/increase in deferred income		(5,876)	19,052
(Decrease)/increase in intercompany balances		(9,340)	15,993
Cash (used in)/generated from operations		348	4,733
Corporation tax paid		-	(47)
Net cash generated from operating activities		348	4,686
Cash from investing activities			
Interest and dividends received		7,270	10,347
Acquisition of tangible assets		(9,835)	(9,572)
Proceeds from sale of tangible assets		990	753
Proceeds from sale of investments in joint ventures and associates		8	-
Acquisition of other financial assets		-	(240)
Proceeds from sale of other financial assets		281	-
Net cash (used in)/from investing activities		(1,286)	1,288
Cash flows from financing activities			
Interest paid		(11,369)	(10,494)
Repayment of Senior loans		(6,671)	(5,629)
Cost of new property, plant and equipment acquired under finance leases		4,752	4,678
Payments to finance lease creditors		(1,842)	(404)
Dividends paid		-	(33,000)
Net cash used in financing activities		(15,130)	(44,849)
Net decrease in cash and cash equivalents		(16,068)	(38,875)
Cash and cash equivalents at 1 November		206,774	242,671
Effect of exchange rate fluctuations on cash held		(1,063)	2,978
Cash and cash equivalents at 31 October		189,643	206,774

The notes on pages 18 to 49 form an integral part of these financial statements.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

1 General information

The company is a private company limited by share capital, incorporated in Great Britain and registered in England and Wales.

The address of its registered office is:

Eaton Court
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TR
United Kingdom

Authorised for issue date

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except, as disclosed in the accounting policies, certain items are shown at fair value.

Departure from requirements of FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

Statement of cash flows

The Company has taken advantage of the exemption available from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

Financial instruments disclosure

The Company has taken advantage of the exemption available from the financial instruments disclosure, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosures.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 October 2017.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Investments in joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of profit/(loss) after tax based on the latest financial statements and management accounts. In the consolidated balance sheet, the investments are shown as the Group's share of gross assets and liabilities.

Associates

In the Group financial statements, investments in associates are accounted for using the equity method.

Investments in associates are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the associate, less any impairment. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life using the straight-line method.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the Group has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the company financial statements, investments in associates are accounted for at cost less impairment.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group is set out in the group balance sheet and the accompanying notes to the financial statements. The Group's cash and borrowings positions are set out in the Strategic Report and notes 19, 25 and 26 to the financial statements. A description of the Group's management of interest rate risk and treasury risk are set out in the Strategic Report.

The Group has considerable financial resources and carries no significant debt other than non-recourse borrowing in project companies. The core construction operations of the Group 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 Group will be able to manage its business risks successfully.

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

Critical accounting judgements and key sources of estimation and uncertainty

In the process of applying the Group's accounting policies the Directors make certain judgements and estimates that impact the amounts recognised in the financial statements. Estimates 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.

The key areas of accounting judgement are:

Accounting for investment properties: Investment properties are classified as such where the Group identifies land and buildings which it holds to generate capital appreciation and/or to earn rental income as investment property. The Group has chosen to state its investment properties at fair value.

Accounting for properties within Stocks: Other properties are classified as properties held for development and sale where the Group identifies land and buildings which it holds with a view to developing and subsequent sale on the open market. The Group has chosen to state its development properties at cost less impairment.

Significant areas of estimation are:

Turnover: The turnover policy, described below, requires forecasts to be made of the outcomes of long-term construction contracts, which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programmes, defects liabilities and changes in costs. There are several long-term construction contracts where the Group has incorporated significant judgements over contractual entitlements. The range of potential outcomes could result in a positive or negative change to underlying profitability and cash flow.

PPP service concessions: Accounting for the service concession contracts and financial assets requires an estimation of service margins, which are based on forecasted revenues and costs of the PPP contracts.

Taxation: Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised.

Debtors: The recoverability of the Group's debtors has been assessed by the Directors and, where any uncertainty has been identified, sufficient provisions have been posted to reflect uncertainty.

Provisions: Provisions (see note 21) are made for expected future losses on incomplete contracts. These provisions require management's best estimate of the costs that will be required to complete contracts based on contractual requirements. It is impracticable to estimate the timing of the utilisation of the future losses and discounting, unless material, has not been applied.

Notes to the Financial Statements for the Year Ended 31 October 2017

Exceptional items

Section 5 of FRS 102 deals with the presentation of total comprehensive income for the reporting period. FRS 102 requires material items to be disclosed separately on the face of the profit and loss account in a way that enables users to assess the quality of a company's financial performance. In practice, these are commonly referred to as 'exceptional' items, but this is not a concept defined by FRS 102 and therefore there is a level of judgement involved in determining what to include as 'Exceptional'. We consider items which are non-recurring or significant in size or in nature to be suitable for separate presentation (see note 6).

Reclassification of comparative amounts

Following a strategic review it was determined that the Group would no longer participate in the construction of "Energy from Waste" facilities, where there was contractual responsibility taken for process risk. The Group considered this to be a business stream exit. Consequently, all revenues and directly associated costs are presented as exceptional items (see note 6) to enable the users of the financial statements to better understand the results of the Group. The presentation of comparative information has been restated to be consistent with this presentation. There is no impact on comparative net assets or statutory profit before taxation.

Turnover

Turnover represents the value of civil engineering and building work carried out during the year and includes the group's share of turnover in joint arrangements.

Construction turnover is recognised by reference to the stage of completion at the reporting date when the outcome of individual contracts can be estimated reliably. Construction turnover is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract. Estimates of the final out-turn on each contract may include cost contingencies to take account of the specific risks within each contract that have been identified. The cost contingencies are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. The Directors continually review the estimated final out-turn on contracts, and in certain limited cases, assess recoveries from insurers, and make adjustments where necessary. No margin is recognised until the outcome of the contract can be estimated with reasonable certainty. Construction turnover includes variations in contract work which are recognised when it is probable that it will be agreed by the client and the amount can be measured reliably. Construction turnover also includes claims which are recognised when negotiations have reached an advanced stage such that it is probable that the client will accept the claim and the amount can be measured reliably. Profit is recognised on long-term contracts only once the final outcome can be assessed with reasonable certainty by including turnover and cost of sales within the profit and loss account as contract progresses.

PPP turnover includes interest income which is allocated, from the total projected unitary charge, to the financial asset using the effective interest rate method. The residual element of projected unitary charge is recognised as a margin on operating costs by means of a deemed rate of return on those costs and is also included in turnover.

Cost of Sales

These comprise the direct costs of the work carried out during the year and include any provisions for expected future losses and contingencies on contracts.

Foreign currency transactions and balances

Transactions of United Kingdom based companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The exchange movements are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange. The differences arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken directly to reserves.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Tax

Tax for the year comprises current tax and deferred tax. Tax is recognised in the profit and loss account, except where an item of income or expense is recognised within other comprehensive income, in which case the related tax is also recognised within other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and equals the highest amount that is more likely than not to be recovered based on current and future taxable profit.

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill amortisation

Goodwill is amortised over its useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding five years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Tangible assets

Tangible assets are stated at cost, less any accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Freehold land and buildings

Furniture, fittings and equipment

Property, plant and equipment

Depreciation method and rate

reducing balance at either 5% or 10% per annum or straight-line on cost at 2% per annum.

straight-line on cost between 5% and 10% per annum.

reducing balance between 20% and 60% per annum.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with subsequent changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Stocks

Raw materials and consumables are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

The cost of work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the work to its present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell and the impairment loss is recognised immediately in profit or loss.

Long-term contract balances represent costs incurred net of amounts transferred to cost of sales less any foreseeable losses.

Properties held for development and sale are stated at the lower of cost and net realisable value. The costs consist of construction costs and other costs specifically related to the development other than interest, which is written off in profit or loss.

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash at bank and in hand

Cash at bank and in hand comprise cash in hand, call deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation at the reporting date as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations is small.

When the effect of the time value of money is material, the amount of a provision is the present value of the amount expected to be required to settle the obligation. The discount rate uses a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The risks specific to the liability are reflected either in the discount rate or in the estimation of the amounts required to settle the obligation, but not both.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which contributions are paid into a pension fund and the Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all members the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expenses when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Defined benefit pension obligation

The Group operates a defined benefit pension scheme whereby a member will receive a benefit on retirement, usually dependent on one or more factors such as years of service and remuneration.

The liability is recognised in the balance sheet of Newarthill Limited, the ultimate parent company. More information can be found in note 22 and full disclosure of the scheme is shown in the financial statements of Newarthill Limited.

As the assets and liabilities of the pension scheme are recognised within Newarthill Limited, the Company accounts for the charges against the scheme as if it were a defined contribution scheme.

Financial instruments

Classification

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Recognition and measurement

Basic financial assets, including trade and other receivables, cash and bank balances and investments in short-term deposits, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised costs using the effective interest method.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are de-recognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, Senior loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of Senior loan facilities are recognised at transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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 otherwise they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Impairment

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Derivative financial instruments and hedging

Derivatives

Derivatives, including interest rate swaps, inflation swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss within finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Hedging

The Group applies hedge accounting for transactions entered into in order to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designed as cash flow hedges of floating rate borrowings.

Changes in fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in profit or loss.

The gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is de-recognised or the hedging instrument is terminated.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

3 Turnover

The analysis of the Group's turnover for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Contracting	897,704	813,334
PPP concessions	39,868	47,652
	<u>937,572</u>	<u>860,986</u>

The analysis of the Group's turnover for the year by geographic market is as follows:

	2017 £ 000	2016 £ 000
United Kingdom	891,902	846,247
Caribbean	45,670	14,739
	<u>937,572</u>	<u>860,986</u>

4 Other operating gains

The analysis of the group's other operating gains for the year is as follows:

	2017 £ 000	2016 £ 000
Gain on disposal of property, plant and equipment	<u>542</u>	<u>293</u>

5 Operating loss

Arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation expense	7,182	5,877
Amortisation expense	974	974
Operating lease expense - property	4,272	3,540
Operating lease expense - plant and machinery	7,523	7,176
Profit on disposal of property, plant and equipment	<u>(542)</u>	<u>(293)</u>

6 Exceptional item - Business stream exit

Following a strategic review it was determined that the Group would no longer participate in the construction of Energy from Waste facilities, where there was contractual responsibility taken for process risk. The Group considered this to be a business stream exit. Consequently, all revenues and directly associated costs are presented as exceptional items. The presentation of comparative information has been restated to be consistent with this presentation. The exited businesses do not meet the definition of discontinued operations as stipulated by FRS 102 because neither the business nor any assets related to it have been disposed of. Accordingly the disclosures within exceptional items differ from those applicable for discontinued operations.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

7 Interest receivable and similar income

	2017 £ 000	2016 £ 000
Interest income on investments	1,206	1,215
Bank interest receivable and similar income	2,679	3,170
Net gain on derivative	861	-
	<u>4,746</u>	<u>4,385</u>

8 Interest payable and similar charges

	2017 £ 000	2016 £ 000
Interest on bank loans and other borrowings	12,100	10,035
Interest on obligations under finance leases and hire purchase contracts	338	92
Net loss on derivative	-	1,644
Net interest expense on post-retirement medical scheme liability	135	166
	<u>12,573</u>	<u>11,937</u>

9 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2017 £	2016 £
Wages and salaries	131,027	127,388
Social security costs	14,467	14,035
Pension costs, defined contribution scheme	4,424	3,708
Pension costs, defined benefit scheme	2,062	2,171
	<u>151,980</u>	<u>147,302</u>

The average number of persons employed by the Group (including Directors) during the year was as follows:

	2017 No.	2016 No.
Average number employed in construction services during the year	<u>2,203</u>	<u>2,196</u>

The Company had no employees during the year (2016 - none).

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £	2016 £
Remuneration	3,223	5,866
Contributions paid to money purchase schemes	16	20
Compensation for loss of office	236	923
	<u>3,475</u>	<u>6,809</u>

Key management personnel compensation in both the current and prior year consists only of Directors' remuneration.

During the year the number of Directors who were receiving benefits was as follows:

	2017 No.	2016 No.
Accruing benefits under defined benefit pension scheme	3	4
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>3</u>

In respect of the highest paid director:

	2017 £	2016 £
Remuneration	553	2,791
Company contributions to money purchase pension schemes	<u>-</u>	<u>3</u>

11 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of these financial statements	13	13
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	241	217
	<u>254</u>	<u>230</u>

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

12 Taxation

Tax credited in the profit and loss account

	2017 £ 000	2016 £ 000
Current taxation		
United Kingdom corporation tax	22	(9)
United Kingdom corporation tax adjustment to prior periods	<u>(40)</u>	<u>-</u>
	(18)	(9)
Deferred taxation		
Arising from origination and reversal of timing differences	<u>(1,129)</u>	<u>(601)</u>
Total tax credited	<u><u>(1,147)</u></u>	<u><u>(610)</u></u>

The differences between the total tax credit shown above and the amount calculated by applying the standard (blended) rate of United Kingdom corporation tax of 19.41% (2016 - 20%) to the profit before tax are as follows:

	2017 £ 000	2016 £ 000
(Loss)/profit before tax	<u>(19,046)</u>	<u>15,244</u>
Corporation tax at standard rate	(3,697)	3,049
Income not taxable in determining taxable profit	(2,510)	(1,813)
Expenses not deductible for tax purposes	639	623
Group relief surrendered for nil consideration	332	1,241
Expense due to transfer pricing adjustments	(2,449)	(3,098)
Remeasurement of deferred tax assets and liabilities due to changes in UK tax rate	285	(1,231)
Change in unrecognised deferred tax assets	6,768	1,285
Utilisation of tax losses not previously recognised	(475)	(666)
Adjustments to tax charge in respect of previous periods	<u>(40)</u>	<u>-</u>
Total tax credit	<u><u>(1,147)</u></u>	<u><u>(610)</u></u>

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Deferred tax

Group

Deferred tax assets and liabilities (see notes 18 and 21)

	Asset £	Liability £
2017		
Accelerated capital allowances	-	-
Short term timing differences	822	8,921
Losses	12,931	-
Post-retirement medical scheme obligations	949	-
	<u>14,702</u>	<u>8,921</u>
2016		
Accelerated capital allowances	-	40
Short term timing differences	517	9,296
Losses	12,664	-
Post-retirement medical scheme obligations	942	-
	<u>14,123</u>	<u>9,336</u>

It is expected that £1,950,000 (2016 - £4,164,000) of the deferred tax assets and £650,000 (2016 - £688,000) of the deferred tax liabilities will reverse during the next year.

There are no unrecognised deferred tax liabilities (2016 - £Nil).

There are £25,005,000 (2016 - £19,327,000) of unrecognised deferred tax assets. These are analysed as follows:

	2017 £ 000	2016 £ 000
Accelerated capital allowances	3,940	3,043
Losses	19,808	13,596
Short term timing differences	1,257	2,688
	<u>25,005</u>	<u>19,327</u>

Company

Deferred tax assets (see note 18)

	Asset £ 000
2017	
Losses	<u>136</u>
2016	
Losses	<u>144</u>

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

There are no unrecognised deferred tax liabilities within the company (2016 - £Nil).

There are unrecognised deferred tax assets of £1,162,000 (2016 - £Nil) comprising (£1,023,000 (2016 - £Nil)) in respect of losses and (£139,000 (2016 - £Nil)) in respect of accelerated capital allowances.

The United Kingdom Corporation Tax fell from 20% to 19% with effect from 1 April 2017. The Finance Act 2016 proposed a further reduction to the corporation tax main rate to 17% with effect from 1 April 2020. The Finance Act 2016 was enacted on 15 September 2016.

13 Intangible assets

Group

	Goodwill £ 000
Cost	
At 1 November 2016	19,485
At 31 October 2017	19,485
Amortisation	
At 1 November 2016	12,822
Amortisation charge	974
At 31 October 2017	13,796
Carrying amount	
At 31 October 2017	5,689
At 31 October 2016	6,663

Goodwill is amortised over the expected useful life of the assets purchased, which is estimated to be 20 years.

No research and development costs were capitalised during the year (2016 - £Nil). The aggregate amount of research and development expenditure, in the field of civil engineering and construction, recognised as an expense during the year was £8.5m (2016 - £8.6m).

Company

The company had no intangible assets at 31 October 2017 (2016 - £Nil).

No research and development costs were capitalised during the year (2016 - £Nil) and no research and development costs were expensed during the year (2016 - £Nil).

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

14 Tangible assets

Group

	Freehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Property, plant and equipment £ 000	Total £ 000
Cost				
At 1 November 2016	27,739	18,927	46,380	93,046
Additions	-	2,518	7,317	9,835
Disposals	-	(3,185)	(3,531)	(6,716)
Transfers (see below)	(1,299)	(273)	(3,082)	(4,654)
Foreign exchange movements	(229)	-	(454)	(683)
At 31 October 2017	26,211	17,987	46,630	90,828
Depreciation				
At 1 November 2016	11,895	15,996	30,161	58,052
Charge for the year	685	1,352	5,145	7,182
Eliminated on disposal	-	(3,153)	(3,115)	(6,268)
Transfers (see below)	(517)	(272)	(2,745)	(3,534)
Foreign exchange movements	(45)	-	(320)	(365)
At 31 October 2017	12,018	13,923	29,126	55,067
Carrying amount				
At 31 October 2017	14,193	4,064	17,504	35,761
At 31 October 2016	15,844	2,931	16,219	34,994

All land and buildings held by the Group in both the current year and prior year are freehold.

On the 1 November 2016 the treatment of the Group's investment in BCM McAlpine Limited changed from proportional consolidation to the equity method as this more appropriately reflected the investment. Accordingly the net book value of the tangible assets of BCM McAlpine Limited were transferred to Investments in Joint Ventures at this date (see note 15). The total transfer of tangible assets amounted to £1,120,000.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2017 £ 000	2016 £ 000
Property, plant and equipment	7,573	4,327

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Company

	Freehold land and buildings £ 000
Cost	
At 1 November 2016	15,540
At 31 October 2017	15,540
Depreciation	
At 1 November 2016	3,378
Charge for the year	670
At 31 October 2017	4,048
Carrying amount	
At 31 October 2017	11,492
At 31 October 2016	12,162

All land and buildings held by the company in both the current year and prior year are freehold.

15 Investments

Group

The carrying value of the Group's investment in joint ventures was as follows:

	Equity £ 000	Loans £ 000	Total £ 000
Cost and carrying amount			
At 1 November 2016	25,580	504	26,084
Foreign exchange adjustments	(2,071)	(125)	(2,196)
Profit for the year	8,956	-	8,956
Dividends paid	(4,861)	-	(4,861)
Disposals	(8)	-	(8)
Transfers	522	-	522
At 31 October 2017	28,118	379	28,497

On the 1 November 2016 the treatment of the Group's investment in BCM McAlpine Limited changed from proportional consolidation to the equity method as this more appropriately reflected the investment. Accordingly the net assets of BCM McAlpine Limited were transferred to Investments in Joint Ventures at this date. The transfer of net assets amounted to £522,000.

See note 32 for a list of joint ventures of the Company and Group.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Company

The carrying value of the Company's investment in subsidiaries was as follows:

	£ 000
Cost	
At 1 November 2016 and 31 October 2017	83,597
Provision	
At 1 November 2016 and 31 October 2017	492
Carrying amount	
At 31 October 2017	83,105
At 31 October 2016	83,105

See note 32 for a list of subsidiary undertakings of the Company and Group.

16 Other financial assets

Group

Group - non-current financial assets

	Unlisted securities	Loans	Total
	£ 000	£ 000	£ 000
Cost			
At 1 November 2016	3,589	12,687	16,276
Disposals	-	(281)	(281)
At 31 October 2017	3,589	12,406	15,995
Provisions			
At 1 November 2016	-	138	138
Impairment provisions made in the year	-	109	109
At 31 October 2017	-	247	247
Carrying amount			
At 31 October 2017	3,589	12,159	15,748
At 31 October 2016	3,589	12,549	16,138

Unlisted securities are held at cost less impairment as their fair values cannot be measured reliably.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

17 Stocks

	Group	
	2017 £ 000	2016 £ 000
Raw materials and consumables	525	554
Long-term contract balances	-	129
Properties held for development and sale	2,259	2,462
	<u>2,784</u>	<u>3,145</u>

18 Debtors

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Due in less than one year:				
Trade debtors	8,686	5,731	-	-
Financial assets	2,520	3,998	-	-
Amounts owed by related parties	244,943	223,966	101,942	109,231
Other debtors	30,195	20,408	6,394	3
Prepayments	10,423	11,747	114	45
Gross amount due from customers for contract work	138,792	119,951	-	4,500
Deferred tax assets (see note 12)	1,950	4,164	136	144
Corporation tax asset	1,651	3,038	-	-
	<u>439,160</u>	<u>393,003</u>	<u>108,586</u>	<u>113,923</u>

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Due in more than one year:				
Financial assets	125,176	129,441	-	-
Other debtors	3,546	5,761	-	-
Gross amount due from customers for contract work	21,515	24,199	-	-
Deferred tax assets (see note 12)	12,752	9,959	-	-
	<u>162,989</u>	<u>169,360</u>	<u>-</u>	<u>-</u>

Amounts owed by related parties, which include parent, subsidiaries, fellow subsidiaries and associated undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand, except for those items disclosed in note 29.

19 Cash at bank and in hand

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Cash at bank	108,649	123,876	18	15,001
Short-term deposits	80,994	82,898	10,009	10,000
	<u>189,643</u>	<u>206,774</u>	<u>10,027</u>	<u>25,001</u>

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Group

Short-term deposits held by the Group have an original maturity of 12 months or less. At the balance sheet date the average maturity of deposits was 8 months (2016 - 7 months). The average interest rate was 0.47% (2016 - 0.78%). They are measured at amortised cost.

Within the Group figures for short-term deposits is £73,850,000 (2016 - £66,264,000) and within cash at bank is £19,308,000 (2016 - £21,861,000) held under terms which are currently restrictive. These are held primarily by PPP Special Purpose Vehicles in both the current and prior years.

Company

Short-term deposits held by the company have an original maturity marginally exceeding 12 months. At the balance sheet date the average maturity of deposits was 18 months (2016 - 14 months). The average interest rate was 0.97% (2016 - 1.15%). They are measured at amortised cost.

The company had no short-term deposits or cash at bank held under terms which are restrictive (2016 - £nil).

20 Creditors

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Amounts falling due within one year				
Loans and borrowings (see note 25)	10,306	7,160	-	-
Trade creditors	223,599	195,881	-	-
Amounts due to related parties	208,901	197,428	125,891	146,825
Corporation tax liability	-	2,509	-	-
Social security and other taxes	5,327	6,403	-	-
Other payables	7,306	4,632	-	-
Accrued expenses	30,980	30,347	12	12
Deferred income	45,003	57,547	-	-
	<u>531,422</u>	<u>501,907</u>	<u>125,903</u>	<u>146,837</u>
Amounts falling due after more than one year				
Loans and borrowings (see note 25)	169,280	175,119	-	-
Trade creditors	13,021	15,578	-	-
Other payables	18,643	18,765	-	-
Deferred income	34,981	28,313	-	-
	<u>235,925</u>	<u>237,775</u>	<u>-</u>	<u>-</u>

Amounts due to related parties, which include parent, subsidiaries, fellow subsidiaries and associated undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand, except for those items disclosed in note 29.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

21 Provisions for liabilities

Group	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 November 2016	9,336	-	9,336
Additional provisions	-	19,565	19,565
Provisions utilised	(415)	-	(415)
At 31 October 2017	<u>8,921</u>	<u>19,565</u>	<u>28,486</u>

Other provisions relate to expected future losses on incomplete contracts.

It is impracticable to estimate the timing of the utilisation of deferred tax or future losses. Amounts included within provisions have not been discounted.

See note 12 for further information regarding the deferred tax liabilities.

22 Post-retirement medical scheme and other employee benefits

Defined benefit and defined contribution pension schemes

The Group 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 31 October 2015. 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. The post-retirement rate of return uses the gilt yield curve +1.0% and the pre-retirement rate of return uses the gilt yield curve +2.25%. Salary increases are assumed to be 2.0% per annum and pension increases range between 2.5% and 5.0% depending on when the benefit was accrued. At the date of the latest actuarial valuation, the valuation showed a net deficit of £107.6m, with the market value of the scheme's investments amounting to £372.0m which was sufficient to cover 78% of the benefits that had accrued to members. As at 31 October 2017, the scheme had been closed to new entrants and used the projected unit method. On 30 November 2017, this scheme ceased accruing future benefits and all active members were transferred to the defined contribution scheme and became deferred members. The year end valuation does not take into account this cessation. Following cessation, this will no longer be the case and accrued service costs will no longer be applicable.

The scheme is recorded within Newarthill Limited, the ultimate parent company, and full disclosure of the scheme is shown within Newarthill's financial statements. These disclosures show the scheme to have a net deficit of £102.8m (2016 - £148.9m) attributable to Newarthill Limited before deducting deferred tax. The scheme is shared between the Newarthill Limited group and the Renewable Energy Systems (Holdings) Limited group, a company under common ownership. The total pension deficit has been split between Newarthill Limited (90%) and Renewable Energy Systems (Holdings) Limited (10%). The year end valuation does not take into account the cessation, but it is estimated that the impact would be to increase the deficit by £6.1m attributable to Newarthill Limited and before deducting deferred tax.

On 30 November 2017, the defined benefit scheme ceased accruing future benefits and all active members were transferred to the defined contribution scheme and became deferred members. The year end valuation does not take into account this cessation.

In addition to the defined benefit scheme, the group operates two defined contribution pension schemes where employee contributions are matched by company contributions. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £4,424,000 (2016 - £3,708,000). All costs were expensed as incurred and there were no amounts outstanding, by way of either amounts owing or commitments, at the year end (2016 - £Nil).

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Post-retirement medical scheme

The Group provides unfunded post retirement medical insurance benefits for a number of its employees after retirement.

The date of the most recent actuarial valuation was 31 October 2017. The valuation was carried out by a third party actuarial company.

Reconciliation of scheme liabilities to liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2017 £ 000	2016 £ 000
Present value of scheme liabilities	5,583	5,227
Deferred tax asset	(949)	(942)
Post retirement medical scheme deficit	<u>4,634</u>	<u>4,285</u>

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2017 £ 000
Present value at 1 November 2016	5,227
Interest cost	135
Actuarial gains and losses	691
Employer contributions	(470)
Present value at 31 October 2017	<u>5,583</u>

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2017 %	2016 %
Discount rate	2.80	2.70
Medical expenses inflation	<u>9.50</u>	<u>9.50</u>

23 Called up share capital

Allotted, called up and fully paid shares

	2017	2016
	No. 000 £ 000	No. 000 £ 000
Ordinary shares of £1 each	<u>78,050</u> <u>78,050</u>	<u>78,050</u> <u>78,050</u>

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

24 Reserves

Group

Share capital

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Merger reserve

The merger reserve resulted from the use of merger accounting and represents the price paid for the assets and liabilities of the Sir Robert McAlpine Capital Ventures Limited group acquired from a fellow subsidiary on 1 May 2015.

Other reserves

Other reserves comprise undistributable profits and unrealised gains and losses on exchange. Also included in other reserves is a hedging reserve which is used to record transactions arising from the Group's cash flow hedging arrangements.

Profit and loss account

The profit and loss account represents the Group's total retained earnings available for distribution.

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
2017			
Unrealised gain/(loss) on cash flow hedges	217	(250)	(33)
Foreign currency translation gains	(4,553)	-	(4,553)
Remeasurement loss on post-retirement medical scheme net of deferred tax	-	(576)	(576)
	<u>(4,336)</u>	<u>(826)</u>	<u>(5,162)</u>

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
2016			
Unrealised gain/(loss) on cash flow hedges	(4,161)	749	(3,412)
Foreign currency translation gains	12,038	-	12,038
Remeasurement loss on post-retirement medical scheme net of deferred tax	-	(734)	(734)
	<u>7,877</u>	<u>15</u>	<u>7,892</u>

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Company

Share capital

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Other reserves

Other reserves comprise undistributable profits and unrealised gains and losses on exchange.

Profit and loss account

The profit and loss account represents the Company's total retained earnings available for distribution.

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
2017			
Foreign currency translation gains	238	-	238

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
2016			
Foreign currency translation losses	(598)	-	(598)

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

25 Loans and borrowings

	Group
	2017 £ 000
	2016 £ 000
Current loans and borrowings	
Finance leases	2,299
Senior loans	8,007
	<u>10,306</u>
	<u>7,160</u>

	Group
	2017 £ 000
	2016 £ 000
Non-current loans and borrowings	
Finance leases	4,885
Senior loans	164,395
	<u>169,280</u>
	<u>175,119</u>

Group

Included in the loans and borrowings are the following amounts due after more than five years:

	2017 £ 000
	2016 £ 000
Senior loans after more than five years by instalments	<u>125,589</u>
	<u>135,943</u>

Senior loans after five years

The Group has the following Senior loans:

£9,114,000 (2016 - £10,128,000) taken out by a subsidiary - Autolink Concessionaires (A19) Limited. The Senior loan accrues interest on a semi-annual basis at 0.9% above LIBOR plus MLA costs. The Senior loan is due for repayment in 2024 and is secured over the assets of the subsidiary.

£25,133,000 (2016 - £27,862,000) taken out by a subsidiary - Autolink Concessionaires (A19) Limited. The Senior loan accrues interest on a semi-annual basis at 6.748%. The Senior loan is due for repayment in 2024 and is secured over the assets of the subsidiary.

£36,507,000 (2016 - £38,431,000) taken out by a subsidiary - Pinnacle Schools (Gateshead) Limited. The Senior loan accrues interest on a semi-annual basis at 0.95% above LIBOR plus MLA costs. The margin varies but will not exceed 0.95%. The Senior loan is due for repayment in 2032 and is secured over the assets of the subsidiary.

£31,070,000 (2016 - £31,413,000) taken out by a subsidiary - SRM (Redcar & Cleveland) Limited. The Senior loan accrues interest on a semi-annual basis at 0.6% above LIBOR plus reserve asset costs. The Senior loan is due for repayment in 2037 and is secured over the assets of the subsidiary.

£71,449,000 (2016 - £72,111,000) taken out by a subsidiary - Sir Robert McAlpine Road Holdings Limited. The Senior loan accrues interest on a semi-annual basis at 4% plus annual RPI. The Senior loan is due for repayment in 2037 and is secured over the assets of the subsidiary.

All Senior loans are repayable by non-equal instalments.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

26 Obligations under leases and hire purchase contracts

Group

Finance leases

Finance leases relate to the purchase of cranes used in the Group's construction activities. Cranes are classified as other property, plant and equipment in note 14. There are no contingent rental, renewal or purchase option clauses.

The total future minimum lease payments are as follows:

	2017 £ 000	2016 £ 000
Not later than one year	2,610	1,296
Later than one year and not later than five years	5,154	3,373
	<u>7,764</u>	<u>4,669</u>

Operating leases

The total future minimum lease payments are as follows:

	2017 £ 000	2016 £ 000
Not later than one year	2,335	1,570
Later than one year and not later than five years	3,215	5,775
Later than five years	3,820	1,365
	<u>9,370</u>	<u>8,710</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £12,337,000 (2016 - £10,716,000).

27 Dividends

	2017 £ 000	2016 £ 000
Interim dividend of £Nil (2016 - £0.4228) per ordinary share	<u>-</u>	<u>33,000</u>

The Directors are not proposing a final dividend (2016 - £Nil).

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

28 Contingent liabilities

Group

There were contingencies in respect of the following:

Guarantees of contract performance bonds given in the normal course of business;

Guarantees of performance of subsidiary and joint arrangements under funding and leasing agreements; and

Completed and uncompleted contracts.

It is impracticable to estimate the financial effect, timing or probability of payments in relation to the above items.

29 Related party transactions

Group

There were transactions amounting to £19.0m (2016 - £19.0m) in respect of construction and other contracts on normal commercial terms with various joint arrangements, of which £2.2m (2016 - £1.1m) was owing at the year end and included within debtors due in less than one year (note 18).

There were transactions amounting to £2.3m (2016 - £48.7m) in respect of construction and other contracts on normal commercial terms with joint ventures and unlisted investments, of which £nil (2016 - £0.1) was owing at the year end and included within debtors due in less than one year (note 18).

Included within unlisted securities (note 16) was a balance of £3.6m (2016 - £3.6m) owing from McAulay (Market Buildings) Limited and within debtors due in less than one year (note 18) is a balance of £3.2m (2016 - £3.5m) owing from McAulay (Tudor House) Limited. A number of Directors have an interest in both of these companies.

At the year end, BCM McAlpine Limited owed the Group £52.8m (2016 - £59.8m). During the year recoveries against this balance of £4.5m (2016 - £6.9m) were received. During the year the Group reversed part of the provision against this balance by £6.2m (2016 - increased the provision against this balance by £8.2m). BCM McAlpine Limited is a jointly controlled entity.

Company

Other than the transactions disclosed above, the company's other related party transactions were with wholly owned-subsiidiaries and so have not been disclosed.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

30 Financial instruments

Group

Categorisation of financial instruments	Loans and receivables £ 000	Financial assets at fair value through profit or loss £ 000	Derivatives at fair value through profit or loss £ 000	Derivatives used for hedging £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
2017						
Trade receivables	168,993	-	-	-	-	168,993
Other receivables	28,641	-	-	-	-	28,641
Short-term deposits	80,994	-	-	-	-	80,994
Joint ownership properties	-	848	-	-	-	848
Loans	-	3,230	-	-	-	3,230
PPP financial assets	-	127,696	-	-	-	127,696
Inflation swaps	-	-	2,793	-	-	2,793
Interest rate swaps	-	-	-	(21,089)	-	(21,089)
Senior loans	-	-	-	-	(172,402)	(172,402)
Finance leases	-	-	-	-	(7,184)	(7,184)
Trade creditors	-	-	-	-	(236,620)	(236,620)
Accruals	-	-	-	-	(75,983)	(75,983)
Other creditors	-	-	-	-	(4,860)	(4,860)
	<u>278,628</u>	<u>131,774</u>	<u>2,793</u>	<u>(21,089)</u>	<u>(497,049)</u>	<u>(104,943)</u>

Categorisation of financial instruments	Loans and receivables £ 000	Financial assets at fair value through profit or loss £ 000	Derivatives at fair value through profit or loss £ 000	Derivatives used for hedging £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
2016						
Trade receivables	149,881	-	-	-	-	149,881
Other receivables	28,803	-	-	-	-	28,803
Short-term deposits	82,898	-	-	-	-	82,898
Joint ownership properties	-	781	-	-	-	781
Loans	-	3,464	-	-	-	3,464
PPP financial assets	-	133,439	-	-	-	133,439
Inflation swaps	-	-	1,931	-	-	1,931
Interest rate swaps	-	-	-	(21,306)	-	(21,306)
Senior loans	-	-	-	-	(178,005)	(178,005)
Finance leases	-	-	-	-	(4,274)	(4,274)
Trade creditors	-	-	-	-	(211,459)	(211,459)
Accruals	-	-	-	-	(87,894)	(87,894)
Other creditors	-	-	-	-	(2,091)	(2,091)
	<u>261,582</u>	<u>137,684</u>	<u>1,931</u>	<u>(21,306)</u>	<u>(483,723)</u>	<u>(103,832)</u>

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Financial assets measured at fair value

PPP financial assets

Assets constructed by the Group's PPP concession companies are classified as financial assets which are held at fair value with changes being recorded in profit or loss. During the operational phase, fair value is determined by discounting the future cash flows allocated to the financial asset using discount rates based on long-term gilt rates adjusted for the risk levels associated with the assets. During the year there was an increase in gilt rates resulting in a fair value loss being taken through profit or loss.

The adjustment for risk level premiums vary between 1.5% and 2.9% dependent on the time to maturity and the jurisdiction of the asset.

The fair value is an asset of £127,696,000 (2016 - £133,439,000) and the change in value included in profit or loss is a loss of £1,746,000 (2016 - gain of £6,124,000).

Derivative financial instruments - inflation swap

The Group has entered into inflation swaps to pay income at RPI and receive income at a fixed rate of 3.445% for maturities ranging between 2018 and 2038. The swaps are based on a principal semi-annual amount of £778,000. The fair value has been determined by discounting the future cash flows of the inflation swaps.

The instrument is used to hedge the Group's exposure to RPI on income relating to a subsidiary's PPP unitary charge income.

Cash flows on the income and the inflation swap are paid semi-annually.

The fair value is an asset of £2,793,000 (2016 - £1,931,000) and the change in value included in profit or loss is a gain of £861,000 (2016 - loss of £1,644,000)

Financial liabilities measured at fair value

Derivative financial instruments - interest rate swaps

The Group has entered into interest rate swaps to receive interest at floating rates of interest and pay interest at fixed rates of between 4.41% and 5.03% for maturities ranging between 2018 and 2037. The swaps are based on a principal amount of £67,558,000 (part of the principal amount of the Group's Senior loan facilities) and matures on the same dates as the Senior loans. The fair value has been arrived at by discounting the future cash flows of the interest rate swaps.

The instruments are used to hedge the Group's exposure to interest rate movements on the Senior loans. The hedging arrangement fixes the total interest payable on the Senior loans to between 5.21% and 5.63%.

Cash flows on the Senior loans and the interest rate swaps are paid semi-annually. During 2017, a hedging loss of £33,000 (2016 - loss of £3,412,000) net of deferred tax was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

The fair value is a liability of £21,089,000 (2016 - £21,306,000) and the change in value included in profit or loss is £Nil (2016 - £Nil).

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Cash flow hedges

Interest rate swap

The Group has entered into a cash flow hedge to receive interest at floating rates of interest and pay interest at fixed rates of between 4.41% and 5.03% for maturities ranging between 2018 and 2037.

The hedging arrangement fixes the total interest payable on the Senior loans to between 5.21% and 5.63%.

During 2017, a hedging loss of £33,000 (2016 - loss of £3,412,000) net of deferred tax was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

The swaps are based on a principal amount of £67,558,000, part of the principal amount of the Group's Senior loan facilities, and mature on the same dates as the Senior loans.

The fair value liability of the financial instruments designated as hedging instruments at 31 October 2017 is £21,089,000 (2016 - £21,306,000).

The instruments are used to hedge the group's exposure to interest rate movements on the Senior loans.

Cash flows on the Senior loans and the interest rate swaps are paid semi-annually.

The amount reclassified from equity to profit or loss for the year is £Nil (2016 - £Nil).

The amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows that was recognised in profit or loss for the year is £Nil (2016 - £Nil).

31 Parent and ultimate parent undertaking

The company's immediate parent is Newarthill Limited, incorporated in the United Kingdom.

The most senior parent entity producing publicly available financial statements is Newarthill Limited. These financial statements are available upon request from Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR.

The ultimate controlling party is The McAlpine Partnership Trust.

32 Subsidiaries and related undertakings

All subsidiaries, associated undertakings and other significant holdings are shown below. Except where otherwise stated, the companies are incorporated in Great Britain and registered at Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR. The subsidiaries marked by * have taken advantage of the exemption from an audit in accordance with Section 479A of the Companies Act 2006. The ultimate parent company has provided a guarantee to each of these subsidiaries in compliance with Section 479C. The entities marked by ^ are held directly by the Company. The entities marked by # are either jointly controlled entities or associates and their results and financial position are included in these consolidated financial statements using the equity method of accounting.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Company	Registered company number	Country of Incorporation / registration	Interest in shares
Construction Related			
Bankside Electrical Contractors Limited	00970503	*	100% ordinary
British Contracts Company Limited			100% ordinary
Derby Joinery Limited			100% ordinary
McAlpine Limited ^		Cayman Islands	100% ordinary
McAlpine Offshore Limited ^			100% ordinary
Partnership Insurance Company		Cayman Islands	100% ordinary
Sir Robert McAlpine Limited ^			100% ordinary
Sir Robert McAlpine Management Contractors Limited	0115770	*	100% ordinary
St. Blaise (1998) Limited ^			81.68% ordinary
BCM McAlpine Limited ^ #		Bermuda	40% ordinary
McAlpine (Cayman) Limited #		Cayman Islands	40% ordinary

McAlpine Limited's registered address is 190 Elgin Avenue, Grand Cayman, KY1-9005.

Partnership Insurance Company's registered address is 62 Forum Lane, 3rd Floor, Camana Bay, PO Box 30600, Grand Cayman, KY1-1203.

BCM McAlpine Limited's registered address is 48 St. John's Road, Pembroke, Bermuda, HM 07.

McAlpine (Cayman) Limited's registered address is 190 Elgin Avenue, Grand Cayman, KY1-9005.

Property Development

McAlpine Properties Limited		Cayman Islands	100% ordinary
Raglan Development Limited	09854957	*	100% ordinary
Consortium 220 LLP #			33.33% ordinary
UBW Limited #		Cayman Islands	20% ordinary

McAlpine Properties Limited's registered address is 4th floor Queengate Building, 113 South Church Street, PO Box 1994, Grand Cayman.

Consortium 220 LLP's registered address is Duddingston House, Milton Road West, Edinburgh, EH15 1RB.

UBW Limited's registered address is 2nd floor Harbour Place, PO 472103 South Church Street, Grand Cayman, KY1-1106.

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2017

Company	Registered company number	Country of Incorporation / registration	Interest in shares
PPP Investments			
Aura Learning Communities Limited			100% ordinary
Autolink Concessionaires (A19) Limited			100% ordinary
Autolink Holdings (A19) Limited			100% ordinary
Pinnacle Schools (Gateshead) Holdings Limited			100% ordinary
Pinnacle Schools (Gateshead) Limited			100% ordinary
Pinnacle Schools Limited			100% ordinary
Sir Robert McAlpine Capital Ventures Limited			100% ordinary
Sir Robert McAlpine Healthcare (Dawlish) Limited	03319534	*	100% ordinary
Sir Robert McAlpine Road Holdings Limited			100% ordinary
Sir Robert McAlpine (A19) Limited			100% ordinary
Sir Robert McAlpine (M6) Limited			100% ordinary
SRM (Redcar & Cleveland) Holdings Limited			100% ordinary
SRM (Redcar & Cleveland) Limited			100% ordinary
Paget Health Services (Holdings) Limited #		Bermuda	58% ordinary
Paget Health Services Limited #		Bermuda	58% ordinary
Endeavour UK 4 Limited #			50% ordinary
Autolink Concessionaires (M6) plc #			19.5% ordinary
Autolink Holdings (M6) Limited #			19.5% ordinary

Paget Health Service (Holdings) Limited and Paget Health Service Limited's registered address is Victoria Place, 31 Victoria Street, Hamilton, Bermuda, HM10.

Endeavour UK 4 Limited's registered address is 11 Elmbank Street, Glasgow, United Kingdom, G2 4PB.